

AWARD OF ARBITRATION PANEL

In the Matter of Interest Arbitration
between the
City of Peoria
and the
Peoria Fire Fighters, IAFF Local 544

Findings of Fact,
Opinion, and Award
of the
Arbitration Panel
of
Peter Feuille
Kent M. Tomblin
James A. Murphy
in
ISLRB No. S-MA-92-067

Date of Award: September 11, 1992

APPEARANCES

For the Employer:

Mr. James Baird, Counsel
Mr. James Murphy, Senior Attorney and Panel Delegate
Mr. Lee Daugherty, Fire Chief
Mr. Patrick Parsons, Director of Personnel/Labor Relations
Mr. Justin Hocker, Labor Relations Manager
Ms. Nina N. Nissen, Assistant Personnel Director
Mr. Reid Otteson, Management Intern
Mr. Sam Sisk, Division Chief
Ms. Melody Tidwell, Employee Benefits Consultant

For the Union:

Mr. J. Dale Berry, Counsel
Mr. Kent Tomblin, Vice President and Panel Delegate
Mr. Michael A. Lass, Labor Relations Consultant
Mr. Thomas Unruh, President
Mr. Tom Jackson, Treasurer
Mr. Terry Dunne, Secretary
Mr. Steve Reynolds, AFFI
Mr. Tom O'Neill, AFFI

INTRODUCTION

During late 1991 and early 1992, the Peoria Fire Fighters, Local 544 of the International Association of Fire Fighters, AFL-CIO ("Union") and the City of Peoria ("City") negotiated for a

successor collective bargaining agreement to replace the 1990-91 contract that expired on December 31, 1991. During these negotiations and subsequent mediation, the parties were unable to reach agreement on all items (indeed, they were unable to reach agreement on most items). Consequently, because the bargaining unit members are fire fighters, the parties processed their negotiating dispute according to the requirements of Section 14 of the Illinois Public Labor Relations Act ("Act"). Specifically, in January 1992 the parties selected and the Illinois State Labor Relations Board appointed the undersigned to serve as the chairman of the tripartite arbitration panel ("panel") selected to resolve this dispute. In addition, the Union selected Mr. Kent Tomblin to serve as its panel delegate and the City selected Mr. James Murphy to serve as its panel delegate.

The panel met with the parties at prehearing conferences on March 21 and April 24, 1992, and the parties continued to negotiate directly during this same period. These efforts produced remarkable progress in reaching agreement on disputed items, including agreement on a two-year contract duration covering 1992 and 1993 (expiring on December 31, 1993). In fact, thanks to the heroic efforts of the parties' negotiators, the lengthy list of disputed items was reduced to a single unresolved item -- health insurance. It is a tribute to the parties' negotiating skills and motivation that this proceeding deals with only a single issue.

Accordingly, by agreement of the parties the panel conducted an arbitration hearing in Peoria on April 25 and June 15, 1992 to

address the single item on the arbitration agenda. At the hearing the panel members and the parties' representatives were in attendance, all testimony was taken under oath, and a verbatim stenographic record kept and a transcript produced. At the hearing both parties had complete opportunity to present all the information they deemed appropriate on the impasse item.

At the last day of hearing the panel directed the parties to submit to each other, through the panel chair no later than June 22, 1992, their final offers ("last offer of settlement" within the meaning of Section 14(g) of the Act). This was done. The parties also timely submitted post-hearing briefs at a later date. With the panel chair's receipt of these briefs on August 12, 1992 the record in this matter was closed. The panel held its executive session on September 10, 1992 to make its arbitration decision.

Throughout this Award the parties will find references to such terminology as "the panel finds," "the panel selects," and so on. Such terminology does not necessarily indicate unanimity among the three-member panel. Rather, consistent with Section 14(d) of the Act, such terminology may mean only that a majority of the panel shares the conclusion being expressed.

STATEMENT OF IMPASSE ITEMS

As noted above, by mutual agreement there is only one impasse item on the arbitral agenda -- health insurance, which is found in Section 17.1 of the expiring 1990-91 contract (Joint Exhibit 1 ("JX 1")). The parties also agreed that this is an economic item within

the meaning of Section 14 of the Act. Neither party made any claim that this impasse item is outside the scope of the panel's jurisdiction.

By mutual agreement, the parties submitted their agreed-to items into the record as JX 2, which are incorporated into this Award by reference.

ANALYSIS, OPINION, AND FINDINGS OF FACT

Section 14 of the Act requires the panel to base its arbitration decision upon the following Section 14(h) criteria or factors, as applicable:

- (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 these costs.
- (4) 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:
 - (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 require that all of these criteria be applied to each unresolved item; rather, only those that are "applicable." In addition, the Act does not attach weights to these factors, and thus it is the panel's responsibility to decide how the applicable factors should be weighted.

Section 14(g) of the Act requires the panel to adopt the last offer of settlement on each economic issue which, in the panel's opinion, more nearly complies with the applicable factors. In other words, this is final offer arbitration, and the panel is constrained to selecting either the Union or City final offer on health insurance, without modification (Tr. 436-437).

Position of the City

The City proposes that the existing self-funded health insurance plan be modified considerably (this plan is administered by John P. Pearle and Associates). The City's multi-page proposal is too lengthy to reprint here (JX 3B, which is incorporated by reference), so a summary will be offered.

The health insurance plan under the expiring contract provides for the following: deductibles of \$75 per year for employee coverage and \$200 per year for family coverage (more precisely, 50% of the first \$150 and \$400 of expenses, respectively); maximum out-

of-pocket expenses of \$475 per year for single coverage and \$600 per year for family coverage; various co-pay provisions for hospitalization and prescriptions; no requirement for a second surgical opinion; and a dental plan with deductibles of \$50 per year for single coverage and \$100 per year for family coverage (see City Exhibit 17 ("CX 17") for specific features). (All references to the parties' exhibits are to the most recent or revised version of these exhibits.) The plan contained no preferred provider organization (PPO). For the purpose of this proceeding, perhaps the most important feature of the existing plan is that the City paid 100 percent of the premiums for single and family coverage (CX 17). This listing is not a complete description of all the features of the health insurance plan, but it is sufficient for our purposes here.

The City proposes to substantially revise the health insurance plan (see JX 3B and its Appendix C ("Appendix C"), CX 17). The key features of its proposal include: increased deductibles of \$125 for single coverage and \$250 for family coverage; increased maximum out-of-pocket expenses of \$600 per year for single coverage and \$850 per year for family coverage; increased co-pay provisions for hospitalization and prescriptions, except that there is a more employee-favorable hospitalization co-pay provision when using the plan's new PPO hospital; a requirement for a second surgical opinion; increased dental deductibles of \$100 per year for single coverage and \$200 for family coverage (CX 17). The City's proposal would take effect retroactive to January 1, 1992.

For the purposes of this proceeding, the most important feature of the City's proposal is that employees would be required to contribute to their health insurance premiums. For the 1992 calendar year, employees would pay 10 percent of the premium cost of the coverage they have selected, which the City calculates for 1992 as \$19.40 per month for employees with single coverage (there are currently 26 unit members with such coverage), \$38.80 per month for employees with employee plus one dependent coverage (46 unit members), and \$52.80 per month for employees with full family coverage (116 unit members; henceforth only the single and full family rates will be discussed). (There is a slight discrepancy between the insurance coverage distribution figures in Union Exhibit 11 ("UX 11") and CX 15, and the Union's figures are used here.)

However, these premium payments would be subject to the following provisions. First, during 1992 no employee would be required to pay more than 1.45 percent of his annual salary toward these premiums. Second, the City, using a formula that allocates 18.6 percent of the City's health costs to this unit (based on this unit's proportion of those covered), determined that this bargaining unit is responsible for \$960,000 of the 1992 projected City-wide health care costs of \$5.203 million under the City's self-insured health insurance plan. Because the City's proposal calls for this unit's members to assume 10 percent of the premium costs, the City's proposal also sets a 1992 target cost-saving figure for this unit of \$96,000, to be achieved by unit members

through the Appendix C cost containment measures described above and reduced usage. Any cost savings in this unit due to increased deductibles, co-pays, etc. contained in Appendix C and reduced usage would be applied, dollar for dollar, to this \$96,000 target figure. If this \$96,000 cost saving target is achieved for 1992, unit members will pay no premiums for that year (consistent with the City's offer, no premiums have been deducted from employee paychecks to date in 1992). If there are cost savings but they fall short of \$96,000, unit members will pay 1992 premiums in a proportionate amount necessary to achieve this target figure, with the necessary amounts deducted from employee paychecks during the last two months of 1992. If there are cost savings and they exceed \$96,000, twenty percent of the excess amount will be used to reduce health insurance premiums for either active employees or retirees. The amount of any premiums charged to employees will be actuarially determined in late 1992 based on the 1992 experience to date. And regardless of the cost savings experience, employee contributions for 1992 are subject to the 1.45 percent of salary cap. The City calculates that for 1992 the average amount that unit members would be required to pay for insurance coverage is \$372 if there are no cost savings (CX 19B), and the City insists that the cost savings experience in the police unit during the period February through May 1992 indicates that there will be very substantial cost savings in this unit (UX 18).

During 1993, employees will contribute 10 percent toward the premium cost of the health insurance coverage they select, with no

salary caps or cost-saving offsets. The cost of the 1993 coverages will be determined by actuarial projection late in 1992.

The City's proposal also establishes a Section 125 Qualifying Plan so that unit members may pay for their health insurance premiums and health care expenses with pre-tax rather than after-tax dollars. The City's proposal also establishes a labor-management health insurance committee for this unit, which may become a part of any joint labor-management insurance committee that includes other City bargaining units.

The City supports its insurance proposal with a variety of evidence and arguments. First, the City notes that it provides an extremely good health insurance plan that contains a great many benefits and that which also is very expensive. The City evaluated the health insurance plans covering fire fighters in 12 other downstate cities (specified below) and Peoria on various dimensions and assigned "richness points" to each plan (more than 12 plans were evaluated because a few cities have more than one plan). The City says that Peoria's plan received the most richness points among all of these cities due to the very generous benefits contained in it (CXs 20, 20A). The City points out that such plan elements as deductibles, out-of-pocket maximums, and dental coverage are better in Peoria than in most other comparison cities (CX 19). The City notes that this insurance generosity was attested to by Ms. Melody Tidwell, who directs the administration of the plan for the City's third party administrator (John P. Pearle and Associates). Ms. Tidwell testified that the City's plan

is richer than 99 percent of the self-funded plans she is exposed to (Tr. 83). The City also emphasizes that the cost for this generous family coverage in Peoria is higher than in any of the downstate comparison cities. Specifically, the City projects an annual 1992 premium cost of \$6,336, or \$528 per month for full family coverage (CX 19). The City bases this figure on an estimated City-wide health insurance cost of \$5.203 million for 1992. However, the City says that based on the cost-saving evidence to date from the police bargaining unit, there is a very strong likelihood that the members of this fire unit will achieve sufficient cost savings that will almost completely offset their 1992 premiums (UX 18).

Second, the City emphasizes that most of the cities in its downstate comparison group require employees to contribute a large amount toward the cost of family coverage (CX 19B). The City points out that under its proposal unit members will contribute less toward the cost of their family coverage than will fire fighters in most comparable downstate cities (CX 19B).

Third, the City argues strenuously that its group of downstate comparison cities (Rockford, Springfield, Champaign, Urbana, Bloomington, Normal, Galesburg, Pekin, East Peoria, Decatur, Rock Island, Moline) is an eminently more appropriate comparison group than the Union's comparison group of downstate and Chicago metropolitan cities (Rockford, Springfield, Decatur, Elgin, Aurora, Joliet). The City vigorously objects to the use of Chicago area cities for comparison purposes, arguing that the assessed

valuations, tax rates, and wage and price levels in Chicago area cities and in downstate Illinois cities are too dissimilar for Chicago area cities to be fairly or appropriately compared to downstate cities such as Peoria. The City also points out that the weight of Section 14 interest arbitrator opinion supports this view (City Br. 6-9). The City also supports its use of "natural pairing" method of coupling contiguous downstate cities (Champaign/Urbana, Bloomington/Normal, Rock Island/Moline), and the City also argues that it is appropriate to compare Peoria with the much smaller cities of Galesburg, East Peoria, and Pekin because they are in the same local labor market as Peoria.

Fourth, the City places great emphasis on internal comparisons with other City bargaining units. The City points out that a health insurance plan identical to the one it proposes here has been agreed to, via the collective bargaining process, with its police bargaining unit (represented by the Peoria Police Benevolent Association) for the 1992 year and with its crafts and trades bargaining unit (represented by a coalition of craft unions) for most of 1992 and all of 1993. In addition, non-represented employees newly hired since July 1, 1991 are under this new plan, and the City Manager has announced that all previously hired non-represented employees will be covered by the same plan by the end of 1992 (Tr. 190). Further, the AFSCME-represented bargaining unit is the only other City unit not part of the plan, and that occurred because AFSCME elected in late 1991 when its 1988-91 contract expired to roll over this contract for one more year to avoid being

covered by this new plan. However, the price for such a rollover was a one-year freeze on wages and benefits, and the AFSCME contract is up for renegotiation late in 1992 (it expires on November 30, 1992). The City insists that these internal comparisons deserve considerable weight given the history of trying to provide City-wide insurance coverage. The City says that a City-wide health plan treats employees fairly, eliminates invidious comparisons, holds down administrative costs, and gives all City groups the same incentive to hold down health care cost increases. The City emphasizes that it is not asking the fire unit employees to break any new ground or to shoulder a heavier health care cost burden than any other City employees. The City also says that interest arbitrators have placed considerable weight on health plan uniformity across employee groups for those employers who have multiple bargaining units.

Fifth, the City is critical of the Union's proposal. The City says that it is unfair to provide the members of this unit with lower premium contributions than those required from other City employees while at the same time providing the members of this unit with the same generous health insurance benefits other City employees receive. The City says that it is inappropriate, unfair to other City employees, and not supported by comparability evidence for the unit members' premium contributions to be set as a percent of salary, as the Union proposes, rather than as a percentage of the premiums as is required of other City employees. The City says that the Union's analysis of the City's actual health

care costs to date in 1992 and projected costs in 1993 are seriously flawed. The City says that it is also unfair for the Union to seek to have the unit members' premium contributions be retroactive only to July 1, 1992 while the 1992 salary increase agreed to for this unit (4.5 percent) is retroactive to January 1, 1992. Also, the two other bargaining units under this new health plan assumed responsibility for increased premium contributions for the entire 1992 year even though some of the cost containment measures were not in place for the entire year.

For these reasons, the City says that its proposal is the more reasonable of the two insurance offers, and asks that it be selected.

Position of the Union

The Union's health insurance proposal also proposes to substantially revise the existing health insurance plan. As with the City's offer, the Union's multi-page offer is sufficiently long that it will not be reprinted here (see the revised and final JX 3A, Amended Exhibit 5 with attached Exhibit A, which is incorporated by reference), and a summary will be presented. The Union proposes to adopt the same Appendix C cost containment measures and the new PPO hospital arrangement proposed by the City (which do not need to be repeated here), except that they would be implemented July 1, 1992. In addition, the Union proposes that employees would pay 0.4 percent or 0.75 percent of their base salary for single or family coverage, respectively, effective July

1, 1992 and continuing through 1993, and that there would be no cost savings offsets applied to these premiums. Given that the base salaries already have been agreed upon for 1992 and 1993, the Union calculates that its proposal would produce average employee contributions for single coverage of \$11.45 per month in 1992 and \$11.94 per month in 1993, and employee contributions for family coverage of \$20.00 and \$21.00 per month in 1992 and 1993, respectively (UX 22; the actual contributions would vary according to the different salaries earned in this unit). The Union's proposal also calls for the implementation of a Section 125 Qualifying Plan, and for the creation of a labor-management health insurance committee, similar to the City's proposal. In short, the Union and City proposals are similar in most respects except for the premium costs to be borne by employees and the implementation date.

The Union supports its proposal with a variety of evidence and arguments. First, the Union says that its comparison group of cities (Rockford (139,246 population in 1990), Decatur (83,885), Springfield (105,227), Elgin (77,010), Aurora (99,581), Joliet (76,836)) is far more comparable to Peoria (113,504) than the comparison group cobbled together by the City. The Union says that the main comparability selection criterion is city population, and on that dimension the City's group stretches credulity. The City's 1990 population of 113,504 means that it is ridiculous to compare it to most of the downstate cities relied upon by the City, for most of them (Bloomington (51,972), Normal (40,023), Urbana

(36,344), East Peoria (21,378), Pekin (32,254), Galesburg (33,530), Rock Island (40,552), Moline (43,202)) are so much smaller than Peoria that comparisons are meaningless (UX 1). The Union emphasizes that its comparison cities are all similar in size to Peoria (UX 1), and thus its comparison cities are far more comparable to Peoria than the City's comparison group. In addition, the Union objects to the "natural pairing" method used by the City as a means of artificially creating larger but purely hypothetical jurisdictions by simply combining nearby cities with each other (Champaign/Urbana, Bloomington/Normal, Rock Island/Moline, Pekin/East Peoria/Galesburg). The Union says that there is no justification for this methodology.

Second, the Union emphasizes that the external comparability data provide far more support for its offer than for the City's offer. For instance, these data show that most comparison cities pay 100 percent of the single coverage premium, including many of the cities used as comparables by the City (UXs 3, 5). In addition, no other city in the Union's comparison group requires employees with family coverage to contribute anywhere near as much for such coverage as the City seeks from the members of this unit (UX 3). In this six-city group of truly comparable cities, four cities charge employees nothing for family coverage, Rockford charges \$15 per month now (which will increase to \$25 per month on October 1, 1992), and Aurora charges one percent of annual salary (UX 3). These data show that the Union's proposed premium contributions are far more equitable than the much higher

contributions sought by the City. The Union also points out that no interest arbitrator in Illinois has required employee premium contributions of the magnitude proposed by the City in this proceeding (Union Br. 21-25).

Third, the Union rejects the City's emphasis upon internal comparisons with other City employees. The Union says that some of the other City employees--the AFSCME unit and the non-represented management group other than new hires--continue to enjoy the fully paid health insurance program. In addition, the Union points out that there is no logic or evidence that compels this unit to have the same insurance contribution arrangement as that agreed to by the police and crafts units. The City's rigid insistence on a lockstep insurance agreement that is the same across all City units is not at all persuasive or supported by evidence. The Union argues that this City insistence on insurance uniformity infringes upon the right of this Union to bargain for the members of this particular bargaining unit. Moreover, the Union says that there is no evidence of any bargaining tradeoffs that may have been made in the other City units to persuade them to accept the City's health insurance proposal.

Fourth, the Union's cost analysis shows that the City's insurance cost figures are faulty (UXs 6-16, 20-22). At the hearing the parties agreed that the projected City-wide health costs for 1992 are \$5.203 million (Tr. 434), though previously the City projected 1992 health costs as high as \$5.501 million (CX 16). However, the Union's analysis shows that on the basis of the actual

health costs for the first 163 days of 1992 its analysis shows that the total City-wide health care cost for 1992 will be \$4.873 million (UX 14). The application of the fire unit's share of this amount (18.6 percent) is \$906,000 rather than the \$960,00 calculated by the City. This cost information also shows that there has not been the steep year-to-year increase in health costs for the City as it has claimed (UX 16). As result, there is no cost justification for the sharp increases in premiums sought by the City. This lack of justification becomes even more apparent when considering that the City's health costs for 1992, regardless of whose offer is selected, almost certainly will decrease based on the Appendix C cost containment measures that are in both proposals (i.e., that have been agreed to in this unit) and for many other City employees. This likelihood of decreased costs is strongly supported by the first four months' experience in 1992 with the police unit's health care expenditures, which resulted in a savings at an annual rate of \$108,000 in a slightly larger bargaining unit of 198 members (UX 18).

Fifth, the Union says that the evidentiary burden falls primarily upon the party seeking the change in the status quo. In this instance, this burden falls upon the City, for it is the party seeking to change the health insurance plan from what existed under the 1990-91 contract. The Union says that the City has failed to meet its burden of proving that it is necessary for the City to obtain the massive insurance premium contributions from employees that it seeks. The evidence in the record simply does not support

a change in employee contributions of the magnitude sought by the City. Indeed, the Union's proposal calls for unit members to make contributions that far exceed those of their peers in comparable communities (UX 3).

Sixth, the Union emphasizes that it already has made substantial concessions in the City's direction by agreeing to all the Appendix C cost containment factors (including agreeing to the establishment of a PPO hospital), by withdrawing its earlier proposal for a health insurance reopener during the second year (1993) of the 1992-93 contract, and by proposing substantial employee premium contributions based on employee salary. These concessions constitute a very adequate response to the City's claim that the employees should contribute something due to the relative "richness" of the health plan. As a result, there is no justification for requiring the employees to make the huge premium contributions sought by the City.

For these reasons, the Union says that its proposal is the more reasonable of the two insurance offers, and thus its offer should be selected.

Analysis and Opinion

Our analysis begins by noting that many of the decision criteria specified in Section 14(h) of the Act do not apply. For instance, the parties have not placed the City's ability to pay on the agenda, so there is no need to consider this dimension. Similarly, this dispute has not been driven by the overall rate of

inflation, so there is no need to analyze the inflation and cost of living data supplied by the City (CXs 40-44). As a result, many of the Section 14(h) decision factors need not be mentioned. Instead, most of the evidence in the record deals with health insurance costs and with comparability in some form or other. The comparability evidence includes both external data (from other Illinois cities) and internal data (from other groups of City employees).

Costs. The Union disputes the City's health insurance cost figures, and in particular the Union argues that the City's 1992 health costs are not as high as claimed, and that there has not been the rapid escalation in City health care costs that is necessary to justify the City's proposal. At the hearing the parties stipulated that the City's projected City-wide health insurance costs for 1992 are \$5.203 million (Tr. 434), which the Union notes is down from the City's original projection of \$5.501 million (CX 16). When this bargaining unit's 18.6 percent share of covered employees is multiplied against that total projected cost figure, the resulting \$960,000 (which is an approximate figure apparently rounded down by a few thousand dollars) is this unit's projected share of 1992 health care costs. However, the Union argues that its analysis, based on the experience for the first 163 days of 1992, shows that the City's actual costs for 1992 will be \$4.873 million (UXs 14, 16). The Union says that this new figure represents a decrease of almost four percent compared to the City's actual health insurance costs of \$5.072 million in 1991 (UX 14),

and a decrease of six percent below the \$5.203 million cost the City projected for 1992 (UX 16). Among other things, this means that this unit's projected share of 1992 health care costs should be about \$906,000 rather than the \$960,000 calculated by the City.

The panel realizes that the final health insurance cost figures for all of 1992 will not be known for several more months, and thus it is not precisely clear what the final cost will be for the current year. However, the panel also believes that it is worth looking at a wider array of cost data than just this year's figures. It is first necessary to note that there is a discrepancy between the City and Union health cost figures for 1991. The City reports a City-wide health cost figure for 1991 of \$4.573 million (CX 16), while the Union (based on data from the City) reports a figure of \$5.072 million (UX 14). The Union figure appears to be more accurate, so it will be used here.

When we look at the City's total health care cost figures for the five year period 1987 through 1991, we see that this City-wide cost amount has increased from \$2.422 million (1987) to \$5.072 million (1991), which is an increase of 109 percent. When we look at the three-year period 1989 through 1991 portrayed in UX 14, we see that City-wide health care costs increased from \$3.974 million in 1989 to \$5.072 million in 1991, which is an increase of 27 percent. No matter how these figures are sliced, they show that the City has experienced very hefty increases in health insurance costs during the past several years. These cost figures explain

why this health insurance issue is on this arbitral agenda and why the City is seeking the changes contained in its offer.

This high level of health insurance cost in Peoria is reinforced by the health insurance premiums charged in other Illinois cities that are included in UX 3 and CX 19A. These figures show that the premiums in Peoria are significantly higher than in any of the other comparison cities used either by the Union or the City. The Union says that these 1992 City-projected premiums are too high (\$194 per month for single coverage and \$528 for family coverage). However, these are the premiums that are associated with the stipulated \$5.203 City-wide health cost figure. In addition, the Union relied on these figures in its critique of the City's offer (see the Union Br.). Moreover, even if these premiums are reduced by the same six percent figure that the Union argues is an appropriate 1992 health cost reduction figure (UX 16), the resulting single and family premiums of \$182 and \$496 (which represent the rounded-off results after reducing the \$194 and \$528 amounts by six percent) remain the highest premium figures reported in any of the Union and City comparison cities (UX 3, CX 19A).

In short, the health care cost data demonstrate conclusively that the level of health insurance costs faced by the City is extremely high in comparison with other Illinois cities, and that the increase in these health insurance costs over the past few years has been quite substantial. This kind of cost information provides strong support to offers that require employees to bear an increased share of the costs of health insurance coverage, and it

is to their credit that both the Union and the City have put forth final offers that reflect this recognition. In particular, the health insurance cost information from Peoria and other cities supports the City's offer to have the employees contribute 10 percent of the cost of the coverage they select.

External comparability. Looking at the external comparability evidence, each party has submitted a comparability group of other Illinois cities. As noted above, the Union points to Rockford, Springfield, Decatur, Elgin, Aurora, and Joliet as comparable communities for the reasons discussed above. In contrast, the City points to Rockford, Springfield, Decatur, Rock Island, Moline, Bloomington, Normal, Champaign, Urbana, Pekin, East Peoria, and Galesburg as comparable communities for the reasons discussed above. As these two lists indicate, the parties agree that Rockford, Springfield, and Decatur are comparable to Peoria, but they strenuously disagree about each other's remaining cities.

The two main comparability selection criteria are location and population. In Illinois, the key locational dimension is whether a city is within or outside of the Chicago metropolitan area. It is well known that the general level of wages and the overall level of cost of living are higher in the Chicago area than in the downstate portion of Illinois. Among other things, this fact is reflected in the generally higher assessed valuations and home prices in Chicago-area jurisdictions, as seen when the City's evidence (CXs 6-8) is compared with the Union's evidence (UX 1). Similarly, in local government occupations, wage levels in the Chicago-area

jurisdictions are usually higher than in downstate jurisdictions for the same kind of work.

This downstate/Chicago-area difference has long been reflected in Section 14 arbitrations, at least on economic issues. In these arbitrations there appears to be general agreement among arbitrators that Chicago-area cities are best compared with each other, that downstate cities are best compared with each other, and a general unwillingness to compare downstate cities with Chicago-area cities and vice versa (see City Br. 6-9). As a result, there is inadequate justification for comparing Peoria with Elgin, Aurora, and Joliet given that these three comparison cities are within the Chicago metropolitan area and Peoria clearly is not. This conclusion is based upon the economic environment differences discussed above and the fact that health insurance is an economic issue. Accordingly, these three Union-supplied cities will be given very little weight and/or used very sparingly for external comparison purposes.

Next, we turn to the population dimension of comparability selection. On this dimension, the Union-proposed comparables are more similar in size to Peoria than the City-proposed comparables, though three of the Union-proposed comparables are unsuitable due to the Chicago-area location reason just mentioned. One problem with selecting a group of downstate Illinois cities close in size to Peoria (113,504) is that there are very few cities of such size anywhere in the state. As a result, with the exception of Rockford

all of the comparables used here are smaller than Peoria (though Springfield is close at 105,227).

However, the City's proposed comparables include some cities that are so small that comparisons with Peoria are not useful. Three such cities are Galesburg (33,530), Pekin (32,254), and East Peoria (21,378). These cities are so much smaller than Peoria that they will receive little weight in this proceeding.

As a result, the panel will rely most heavily upon the following nine downstate cities for external comparisons: Rockford, Springfield, Decatur, Champaign, Urbana, Bloomington, Normal, Rock Island, and Moline. All of these cities are outside the orbit of the Chicago metropolitan area. Some of these comparison cities (such as Urbana, Normal, Rock Island, and Moline) are smaller than the panel prefers, but the scarcity of downstate cities close in size to Peoria requires their inclusion in order to generate a comparison group of useful size. The parties will note that this choice of downstate cities among the available comparables does not constitute approval of the City's "natural pairing" method of grouping downstate cities together.

The external comparisons, relying most heavily upon the nine downstate cities just mentioned, yield the following conclusions.

1. Peoria has a very good health insurance plan when measured by the benefits it provides. As the City's "richness points" analysis shows (an analysis the Union did not refute), the Peoria plan provides a more employee-favorable combination of benefits and employee contributions than the insurance

plans in any of the other downstate cities (CXs 20, 20A). Even if this type of analysis is subject to criticism as being deliberately structured to showcase the Peoria plan, there is no dispute that the Peoria insurance program provides an excellent package of hospital, physician, prescription drug, and dental benefits. Further, even under the new and more expensive (for the employees) deductibles, co-pays, and PPO arrangements that both sides have proposed, the Peoria plan still compares very favorably with the insurance plans covering fire fighters in other downstate cities (CXs 19C-19F).

2. Peoria has a very expensive health insurance plan. According to the City's evidence, full family coverage costs more in Peoria in 1992 than in any other downstate comparison city (CX 19A). The Union says that the City has calculated these costs by making projections for the 1992 year at a level that the data do not warrant, and thus the City's costs are not as high as the City claims (UXs 20-22). Assuming for the sake of argument that the Union is correct and that the single and family premiums for 1992 are not actually \$194 and \$528 per month, there still is no doubt that the Peoria insurance plan is a very expensive plan. For instance, even if the 1992 Peoria insurance monthly premiums listed in UX 3 are reduced by the six percent figure calculated by the Union in UXs 14-16, these premium levels remain far higher than the premiums listed for all of the Union's comparable cities, including the

Chicago-area cities (UX 3), and higher than the family premiums in all of the City's comparable cities (CX 19A).

3. Most other downstate comparison cities require their fire fighters to pay more for family coverage than either of the proposals advanced here. In particular, Springfield (high option), Urbana, Rock Island, Bloomington, Normal, and Champaign require greater employee contributions for family coverage than both of the final offers call for, and Rockford, Moline, Decatur, and Springfield (low option) require less (CX 19B and contract excerpts).

4. Most other downstate comparison cities require their fire fighters to pay less for single coverage than both of the proposals advanced here. In particular, Rock Island requires a larger contribution than either the City or the Union have proposed (\$64 per month), and the other eight comparison cities require less. Indeed, Bloomington, Champaign, Moline, Normal, Urbana, Springfield, and Decatur do not require any employee contribution for single coverage (Rockford requires \$10 monthly now and will increase that to \$15 per month on October 1, 1992; Moline requires \$12 per month for dental and eye care; UXs 3, 5).

5. None of the downstate cities that require their employees to make contributions (for either single or family coverage) calculate such contributions as a percentage of the employee's salary. To the extent that contract excerpts from other cities contain the necessary information, this evidence

indicates that these contributions are expressed either as a flat dollar amount per month paid by the employee, a flat dollar amount per month paid by the employer (a contribution cap) with the employee paying the balance, or a percentage amount paid by the employer or the employee (contract excerpts). Indeed, among all the cities in both parties' comparison groups that require contributions the only city that bases its employees' insurance contributions on a percent of salary is Aurora (UX 3), and the Chicago-area location of Aurora makes it much less useful as a reference point than the downstate cities.

In other words, cities that require health insurance contributions from their employees (except for Aurora) specify those contributions in a form that requires each employee to contribute the same amount toward the coverage selected regardless of his or her salary (each employee pays an identical amount and receives an identical set of health insurance benefits). However, the Union's proposal requires different contributions based on the employee's salary for the same insurance coverage, with the result that employees would be paying different amounts for the same health insurance benefits. Applying this result to this unit, we see in the 1990-91 contract (JX 1), that employees on Salary Schedule 700 for 1991 were paid base salaries ranging from \$22,901 (Step 1 of Salary Grade 701) to \$44,718 (Step 15 of Salary Grade 714). Applying the Union's proposed 0.75 percent of base salary

employee contribution for family coverage, the Step 1 Firefighter would pay about \$172 per year for family coverage and the Step 15 Fire Inspector would pay about \$335 per year for family coverage (these figures would need to be increased to reflect the 1992 and 1993 salaries agreed to by the parties). As a result, the second employee in this example would pay about twice as much for the same health insurance protection as the first employee. As noted, only one city (Aurora) in both comparison groups specifies employee contributions for health insurance in this manner.

Taken together, this external comparability evidence supports both final offers. Neither offer proposes to eliminate the generous medical/dental benefits contained in the existing plan, and both offers require that employees pay more for these benefits via increased deductibles, out-of-pocket maximums, co-pays, and employee contributions. As a result, the generosity of the plan and the increased cost to employees of the Appendix C components of the plan do not need to be discussed further, except to note that these new Appendix C features provide employees with a level of deductibles and out-of-pocket maximums that still compare favorably with fire fighters in downstate cities (CXs 19C-D).

In particular, this external evidence supports both proposed contributions required of employees for family coverage, for both offers require family coverage contributions that are near the middle of the range of those required by other downstate cities (some cities will require larger contributions, and some will

require less, no matter whose offer is selected; CX 19B). In addition, this evidence provides more support for the Union's proposed employee contribution for single coverage than the City's proposed contribution (UX 5). Further, this evidence provides more support for the City's proposed form of employee contribution (percent of health insurance premiums) than for the Union's proposed form of employee contribution (percent of base salary). Taken together, then, it is difficult for the panel to conclude that one offer is clearly superior to the other based on the pertinent external comparability evidence. Both offers are supported by some of this external evidence, but neither offer is consistently supported over the other offer by all the pertinent dimensions of this external evidence. In sum, the external comparability evidence is something of a wash.

Internal comparability. The other important category of comparability evidence comes from the other City employee groups. This evidence shows that two other City bargaining units--the police and the crafts/trades--are covered by the same insurance plan as proposed by the City, but with the 1992 cost savings offset calculated to reflect the size of each unit (CXs 51, 51A, 52, 52A). In addition, newly hired City non-represented employees also are covered by the same plan and have been required to contribute 10 percent of premiums since January 1, 1992 (between July 1 and December 31, 1991 they were required to contribute five percent; Tr. 189). Further, the City's testimony indicates that the City is preparing for the remainder of the City non-represented workforce

to be covered by the new health insurance plan by the end of 1992 with a 10 percent employee contribution rate (Tr. 190). Moreover, the evidence indicates that the City's AFSCME unit is not covered by the new health insurance plan because that unit rolled over its 1988-91 contract for an extra year, that it paid the price of a one-year wage freeze for doing so, that the extended contract in that unit expires on November 30, 1992 (CX 53), and that the City intends to negotiate for the new health insurance plan in that unit. In other words, the evidence clearly shows that the City is moving in the direction of bringing all of its employees under the new health insurance plan, and that it has made significant strides in that direction.

As a result, the evidence does not show that the City is seeking an employer-favorable breakthrough in health insurance with the members of this fire bargaining unit as the pioneers. Instead, the City is proposing the same terms for this group as it has negotiated with two other groups (police, crafts/trades), as it has implemented for new hire nonrepresented employees, and as it is in the process of negotiating or implementing for remaining City employees. In particular, the City is asking members of this unit to contribute to the cost of health insurance at the same rate that other City employees already are contributing or will be asked to contribute.

In contrast, the Union is seeking a significantly lower level of employee contributions than other City employees are being asked to shoulder while at the same time receiving the same health

insurance benefits. The average Union-proposed contribution for single coverage is slightly more than half the level of that proposed by the City under this new plan (\$11.40 v. \$19.40 per month for 1992), and it is somewhat less than half for family coverage (\$20 v. \$52.80 per month for 1992). Moreover, the form of the Union's proposed contribution is quite different compared to other City employees. The Union seeks to have employee contributions based on a percent of the employee's base salary, while other City employees are required to contribute the same 10 percent of health insurance premiums that the City proposes here. There is no question that the Union's proposal departs significantly from what other City employees are being required (or will be asked) to contribute under the new plan.

How much weight should be given to these internal comparisons? If this were a salary issue or hours issue or working conditions issue, the answer would be "not much," for there is considerable variation between this unit and other City groups on these dimensions. For instance, few people would seriously argue that fire fighters should be paid the same salary as other City employees, or should work the same hours on the same kind of work schedules, or have the same working conditions rules, simply because they have the same employer. However, the health insurance issue in dispute here is a City-wide issue, in that the City is trying to continue to maintain City-wide uniformity in its health insurance plan whereby all employees will receive the same medical and dental benefits and also make contributions according to the

same contribution formula. In other words, health insurance is not an issue that is somehow unique to this City bargaining unit. Instead, it is most usefully addressed from a City-wide perspective.

Accordingly, the panel believes that the internal comparability evidence deserves considerable weight. Unlike some other labor-management issues, this health insurance issue is the type of issue where comparisons with other City employees are eminently appropriate and useful. In this instance, other City employees constitute highly appropriate comparison groups within the meaning of Section 14(h) of the Act. This internal evidence provides much stronger support for the City's offer than for the Union's offer. The City's offer provides for the same employee contribution formula (10 percent of premiums) faced by other City employees, the City's offer provides for the same type of cost savings offset to be applied to the 1992 employee premiums that exist in the police and crafts/trades units, the City's offer contains the same employee incentive to avoid future premium increases that other City employees will have, and the City's offer provides that each employee will pay the same amount as other employees in this unit and elsewhere in City government for the type of insurance coverage selected. In contrast, the Union's offer provides for significantly lower employee contributions compared to other City employees, provides no cost savings offset for 1992, contains no incentive for employees to avoid future premium increases, and charges different employees different

amounts for the same insurance benefits. As a result, the internal comparability evidence provides strong support for the City's offer and very little support for the Union's offer.

This internal comparability conclusion is based on the evidence showing that the City is moving expeditiously toward a uniform City-wide health insurance system. To the extent that this City-wide uniformity does not materialize in the near future, the evidentiary support for the City's offer becomes seriously eroded.

A final internal dimension also should be mentioned. The predecessor contract in this unit expired on December 31, 1991, and the parties agreed in their negotiations that the 1992 salary increase (of 4.5 percent) will be retroactive to January 1, 1992. In its offer, the City proposes that the employee responsibility for health insurance premium contributions (and the cost-savings offsets) also begin on January 1, 1992. In contrast, the Union proposes that its offer will take effect on July 1, 1992. Given that the parties' negotiated salary increase is retroactive to January 1, 1992, the City's proposed health insurance implementation date is more consistent with the parties' salary bargain, and hence is more appropriate, than is the Union's proposed July 1 date. This additional internal information also provides more support for the City's offer than for the Union's offer.

A final word. Ultimately, this negotiating dispute is not about increased deductibles, co-pays, etc., for both offers are very similar on that dimension (except regarding cost savings

offsets and when these cost containment measures take effect). Similarly, this dispute is not primarily about the contributions that employees will be required to pay in 1992, for there appears to be a mutual expectation, based heavily on the experience in the police unit (UX 18), that the new cost containment measures will reduce the 1992 contributions required of unit members to moderate or even modest levels (Tr. 380-381). For instance, the City's data in UX 18 projects that each member of the police unit will be required to pay only \$18.98 in total health insurance contributions for 1992. Instead, this dispute centers on the 1993 employee contributions required of unit members (Tr. 381).

Both of these offers are reasonable, but the evidence indicates that the City's offer is more reasonable than the Union's offer. There is no question that the City's offer imposes a more costly contribution requirement on the members of this unit than does the Union's offer. However, the panel finds that the City has met its evidentiary burden of demonstrating that its offer is justified. Further, even after the City's offer is implemented, the members of this unit will continue to receive an excellent and expensive package of medical and dental benefits in which the City bears the lion's share of the costs.

Finding. After examining and weighing the pertinent evidence in the record as described above, the panel finds that the totality of this evidence provides more support for the City's offer than for the Union's offer.

AWARD OF PANEL

Using the authority vested in us by Section 14 of the Act, the arbitration panel selects, by 2-1 majority vote with Chairman Feuille and Delegate Murphy concurring and Delegate Tomblin dissenting, the City's last offer on the health insurance issue as more nearly complying with the applicable Section 14(h) factors.

Respectfully submitted,

Date: September 11, 1992

Peter Feuille
Peter Feuille, Chairman

Date: Sept 18, 1992

Kent M. Tomblin
Kent M. Tomblin, Union Delegate
(who dissents from the panel's ruling)

Date: September 18, 1992

James A. Murphy
James A. Murphy, City Delegate
(who concurs in the panel's ruling)

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