

AFSCME Contract Negotiations – Monday, August 15, 2011
Wilson Library
5:35 pm

Present – AFSCME (3800, 3801, 3260, and 3937): Phyllis Walker, Rick Castillo, Cherrene Horazuk, Kurt Errickson, Ginger Nohl, Doug Sembla, Mary Snyder, Mary Lou Middleton, Debbie Kangas, Patricia Miller, Jason Iversen, Chris Koehler, Jody Ebert, Ken Holm, Mary Austin, Greg Knoblauch, Laurie Warner, Sandy Sherman, Lori Larson, Denise Osterholm

Present—Management: Sherri Stone, Patti Dion, Bob Altman, Linda Debeau-Melting, Judith Karon, Nan Moore, Sasha Bergen, Dorothy Cottrell, Valerie Watson

[Introductions]

Patti Dion (management): We have actual language for the insurance article that we will give you as part of our insurance proposal, as well as a number of informational items, including a grant program for lower income employees and the move to single administrator. We will also distribute rates for 2012 for medical plan and dental plan. To set the context around what we're going to say, President Bruininks asked the U plan for a 12 million dollar cut to help address economic challenges that the University has, given the state of the economy at the state and national level. We have been working with the BAC on a number of these items. I know there are people here who attend the BAC meetings, some of the things here are things you're well aware of from those meetings. Just to say in an introductory fashion as well, what we're bringing to you is not all good news, it's the nature of these negotiations, we're dealing with very hard stuff in these negotiations. Ultimately we have a very good medical and dental plan, very competitive in the marketplace. We are shifting costs to employees but that is comparable to the marketplace. We have a good plan both in design and costs, I'll pass out the language and I'll start with that insurance article.

[Passed out contract language change proposal]

Patti (management): The first change is on page 2 of the document, article 20 section 2, C3, that no.3 at the bottom of page 2 is information that is updating contract language to show that we have increased the eligibility age of dependents from 24 to 25, already agreed to several months or a year ago or so. The next item is on page 3. You will see the 2nd paragraph contains a definition of dependent child and we have expanded this to include unmarried or married dependent child. Previously it was just unmarried.

The next change is on page 5, section 4 that says the employer contribution. The first paragraph just updates the years to bring it in line with this contract. The substantive change is the contribution. Beginning in January 2012 the employee's cost of premium will shift from 10% to 13% for the base medical plan. On page 6 in no. 2 you can see that for family coverage it will shift from 15% to 19.5% for employee's base medical plan. In no.3 on that page in the middle are updates to the year from 2010 to 2012. Near the

bottom in section B - dental coverage beginning in January 2012: for employee only the employee cost will shift from 10 to 12 percent for the rate of the base dental and for family coverage the cost will shift from 40 to 48 percent of the family rate of the base dental plan. Cost shifts were discussed over the last year and were one of the places to go to meet the 12 million dollar assessment, I'll call it, to the U medical plan.

Now, turn to page 7 again no.3 is just updating years. The next change I'll direct you to is on page 12, no other changes till then. The changes in the middle of page are just changes in the year for the new contract.

The next section starting with one, what will you see is also illustrative of the other place where the 12 million dollars where we were directed to find savings, these are the copays. No.1 has us moving the emergency in network copay from \$75 to \$90, no.2 the urgent care in network copay from \$11 to \$15. No change in 3, no.4 p.13 the in network service copays for the CT and MRI scans increases from \$25 to \$30. No change in no.5, no.6 for certain outpatient services that are listed, the copay increases from \$11 to \$15. No.7 are the prescription drug copays, generic plus goes \$8 to \$11, formulary brand from \$25 to \$35, non formulary from \$50 to \$60--

[Someone]: It's \$8 to \$10 for generic plus.

Patti (management): What did I say? Oh, Ok, it's \$8 to \$10 on the copay, no.11 on p.14 the out of network deductible moves from \$500 to \$600 and in no.12 the lifetime maximum formerly of 5 million dollars is moving to an unlimited lifetime maximum.

Mary Austin (union): One question. I was looking on pages 12-13. For all the office visit copays, I don't see regular doctor visits, certain outpatient services.

Patti (management): The previous piece says it's moving from \$11 to \$15.

Mary Austin (union): The regular doctor is a preventive care.

Patti (management): No there's no charge.

Kurt Errickson (union): Why don't we caucus on that line of questioning for management?

Patti (management): OK. The next section is p.15. The annual maximum for dental is increased from \$1500 to \$1800. The next page is 17 and this is an area that speaks to life insurance coverage. A new employee may purchase up to 3X their annual salary or \$500,000, this is moved from 2 times to 3 times, and increased up to \$500,000. Those are changes in language that we are proposing.

I want to now talk about some of those items that are part of the plan design and are not a bargaining proposal. I'll talk about how we are moving to a single plan administrator, and I'd like to talk about what that means. This move is not and was never intended to be

a component of the 12 million dollar cost reduction. It started out when we separated from the state and had four plan administrators. We have been consistent - when we went out for RFPs, any savings that we accrued from reducing administrators went back to the plan at the same percentage to employees and the employer. We started with 4 plan administrators. We thought 4 plan administrators would induce competition, but it turned out it was burdensome administratively, each one had slightly different ways of doing things, implementing elements of our university plan and it was difficult to get all policies and practices consistent. So we moved from 4 to 2, we have had Medica and HealthPartners. It was better than 4, but we wanted more savings for administrating than we believed would happen. Third party administrators will give a better price if they have all the business, so it went to a bid and Medica gave the best bid. The savings we estimate from going to Medica only will be 14 million dollars over the next 4 years, with a uniformity of benefits. The impact? In 2012, if employees want to stay with HealthPartners clinics, they will need to move to the Medica Insights program. They could also switch to the base plan and see a decrease in their rates if they do that, but there are no HealthPartners clinics in the base plan so they'll need to choose another provider, they will have access to quality providers. We bargained hard with HealthPartners to get better rates but have not been successful, the best we could do is in the Insights plan given the rates they were giving us.

Patti (management): Let me move into the rates; pass out the medical and dental rates.

[passed out medical and dental rates]

Patti (management): I'm going to try to walk you through just an example; you will want to take more time to look at.

Kurt (union): Are these biweekly rates?

Patti (management): Yes, we are looking at the medical program rate comparison, which compares 2011 to 2012. Start with the top row, which is the base plan for employee only, Medica Elect and essential Twin Cities, the next column is the total premium, the University portion and the employee portion. You can see that for 2011, the employee pays \$25.40 for their portion, in 2012 that will be \$34.19. You will note that in all of these, that HealthPartners is not listed because it is not an offering except through Medica Insights. But if you go down to the bottom of the page, you will see how the HealthPartners Classic rates would have increased if HealthPartners had been successful in the RFP. For employee only if we still had HealthPartners it would have gone from \$36.00 to \$48.46. I tried to speak to this, pointing to numbers for employee only for HealthPartners the current rate is \$36.00 if you go up to the top line and look across to 2012 if the employee moves to the base plan from HealthPartners their premium will decrease from \$36.00 to \$34.19, if they wish to stay with HealthPartners through Medica Insights, the cost will increase to \$58.67, reflecting the trend as well as cost shifting.

In terms of dental program rate comparisons, this also represents an upward trend in health costs. The dental rates we did discuss, had a great shift in the dental rates to try to

avoid higher medical rates, and we saw that with the proposal earlier there is a shift in the family plan from 40 to 48 percent. For the medical plan rates, we made the determination that we would have an equal percentage increase to all of these rates regardless of the tier and the choice of the provider. That equal percentage regardless of coverage is 34.6 percent, lower than we were anticipating but not inconsequential, that's on the medical. The dental rates are going up 19 percent at every point. Could you pass around the final handout?

[Passed out Medical Premium relief for lower income employees]

Patti (management): I'm now talking about plan design changes, this is a grant program to give help during the transition that employees will be making to the plans in terms of the cost shifting. We are offering to give a lot more help to the most needy. I will walk you through this, it's a one year program, and employees will qualify based on the tier of plan coverage, as well as based on their household income. Employees, if they wish to be considered, must be employed by 12/31/11. New employees hired after this program is in effect will have full knowledge of the plans. As it is a bridge plan it is not available for new employees hired after January 1st. Employees will need to submit to employee benefits a form that will have a signature and submit a 2010 federal tax form, based on income in 2010. See the line that will be used, whether it's a form 1040 or 1040A. The chart will show what they will qualify for based on income. An employee with employee only coverage making \$35,000 a year or less would qualify for \$200. That \$200 would be divided up in each paycheck and would appear on their paystub as a premium credit. For employees who apply for this by December 15, 2011, the first credit will appear on that first paycheck in January so you will have this premium credit for the full year. If employees choose not to or need more time to prepare more information and choose to apply after the 1st of the year, they'll still be considered eligible but will only have the premium credit moving forward from when they submit the paperwork. It won't be retroactive to the first of January. I also do not have the handout on wellness program changes - there will be more information as they are finalized but basically we are moving forward from a cash incentive program (\$65 if they take the wellness assessment and another \$65 for participating). We've put together an incentive structure where employees accumulate points for reduction in the following year, so there may still be a wellness assessment, 10,000 Steps, visits for a certain number of times to the fitness center, riding your bike to work and others as well, I believe some were discussed at BAC, I don't know, so some of you may have better knowledge of some of those items. More information will be shared before we get to open enrollment, those will be rolled out for 2011 and applied to 2012 premiums. Those are the pieces we're bringing, our proposal and informational items. Based on your comment, Kurt, you want to caucus. I will answer any questions as best I can, but if you get into the nitty gritty I may need to bring them back to benefits folks.

Kurt (union): This is first time we have the big group together, so yes, we would like to caucus.

Caucused at 6:15 pm

Reconvened again at 7:05 pm:

Kurt (union): Thanks for your patience. We do have a couple of thoughts and questions that we would like to share. One irony of the proposal is the increase in the amount of life insurance, which is probably a good thing because the employer is caught in a death spiral with increased costs and reduced benefits. As our health insurance gets more expensive and harder to access, the value of our life insurance goes up - it seems ironic.

Our thoughts: We're not necessarily bargaining the details of this document today. I don't want to lead you to think that I'm making a bargaining proposal on this point. In its original conception at the BAC, the subsidy program for employees was based on ability to pay focused solely on University income. What we see here in the request for the federal tax form return is really a little bit of an invasion of our privacy especially for an employee plus child. It does not seem necessary to require employees to submit a tax form we don't want to share with the employer. The trend seems to be starting to get into grants. In negotiations at the University of Minnesota Physicians clinics, the employer proposed a program for the medical faculty of the University of Minnesota who have "generously" allowed their employees to get into the charity care program. Now we see the University of Minnesota, one of the proudest institutions in the state, offering charity grants to their staff so they can afford health insurance. This is not the way we want society to go, it's not the way we want the University to lead.

Our concerns are several. In the past, we at AFSCME have deliberately prioritized health insurance, often at the expense of wages and other economic parts of the package. This healthcare proposal did not materialize out of the air; it's the result of years of negotiations, often made at the expense of wages. This is a double whammy: zero for wages, zero for steps, a reduction in health insurance. It seems like the employer wants two or three bites of the apple. We don't see this as part of the cost of healthcare. This money is going into the general fund, on top of \$14 million over 6 years that the University is going to gain from eliminating the HealthPartners administratorship. This is about the University's budget and budget problems. Again we question the credibility of those budget problems. Why are we here, what brings us to the table to discuss concessions? President Bruininks assumed the university would get a \$70 million cut in state aid, it didn't happen, in large part because AFSCME supported Mark Dayton, many of our members did. How many of those at this table volunteered for Dayton's campaign? I think Patti's making a note, everybody from the union volunteered. If Dayton hadn't won by a thread we'd be in worse shape. It wasn't a \$70 million cut, it was a \$43 million cut. If financial pressures have changed, why not change the directive to cut healthcare benefits? It doesn't seem logical to keep going after this \$10 million when state aid isn't dropping as significantly as we assumed. We really do think the problem is not the cost of health insurance, it's about the leadership at the University, the financial leadership at the University. The academic employee group has barely shrunk at all since 2008 when the pause took effect. The rest of the U has shrunk 22 percent. I was talking to a member,

her department took a 25 percent hit in staff, while management increased. In her college, if the academic administration group had taken the same hit, there would be \$25 million dollars available. That is a crisis of leadership, the failure to have one standard for all employees regardless of class. The budget problem is about preferring one class over others. We see spending problem in salaries - I'm still studying the data, but what I have learned from a quick review is that after the furlough is accounted for, average AFSCME employees gained 0.4 percent in wages. After the temporary reduction in pay is accounted for, the average academic administration employee gained 3.5 percent. Not only is management being preferred in terms of job security and what they are being paid. The administration protected management. Now the employer says everyone has to sacrifice, and is asking for more concessions on health insurance. This doesn't make sense to us, it's not logical, it's not fair. We're going to respond in our specific units to your proposal but I gotta say we are extremely disappointed to be having this conversation. We are not happy to be in this situation having this conversation across the table. It is in everybody's best interests to come together to share sacrifices, not to push it down on the bargaining unit membership. It is time for a change in leadership to get us out of this mess. This proposal doesn't reflect a change in leadership. It's a deeper dive into what got us there.

Patti (management): I have some comments, I don't mean this in a patronizing way; we're appreciative of the comments. All of us on both sides are not happy to be looking at this proposal. None of us would like to be in this situation. We would prefer to be in the 80s and 90s where we could talk about moving a pot of money around. I understand the difficulty that is attending this discussion. A couple of things, I am hoping you were using the term death spiral in a generic way. It is a term of art for insurance programs and that is not where our plan is. We are not moving down a road where it is not sustainable. We are not in a death spiral – not anywhere near to it because of some of the very reasons and things we're doing to keep it prosperous. It's the wrong word. We are in good shape so we can offer quality healthcare to our employees. Let me reiterate what I said, the grant program is not a proposal. It's part of the plan design that we are offering to employees. They may choose or not choose to apply for it. It is not a bargaining proposal. I also just want to say that I am, for the record, we don't see this, not farming it as charity care. That might be a term used in other negotiations that you have participated in, but that's not what our program is. It's to help bridge when cost is shifting to our most needy employees. We do not phrase this as a form of charity. I also want to say that this U plan, this plan, doesn't exist in a life of its own without any relation anywhere else in the University. It is part of the U's budget. So to say that we're looking at this only as health insurance without a budgetary impact to the U - the U plan is not sacred to this. It is part of the University-wide budget. I think we probably have many philosophical differences, we have some, you identified some of those in terms of looking at how the university is addressing budget. Are all employee groups treated equally? No they're not, because there are many different pay plans for many different groups. The group you identified is paid on merit pay and is of value to the administration. I understand this is something AFSCME is not supportive of, but there are different programs with different parameters for different groups. Across the university what's happening with departments and colleges - not every college and department is given the same target. Some saw growth,

some not. This is not an apples to apples organization, It's so big and complex, with different campuses and programs. That is one of the difficulties that we have here. I understand that you say it doesn't make sense to have differences. I put this out sincerely knowing that we're going to have tough conversations in all negotiations. I'm hopeful that we're going to reach agreement. We're running into a month and a half before open enrollment. There's lots of work both with the insurance proposal and other items on the table. Some units have a number of sessions scheduled. We have a lot of work to do, I believe we do – hard conversations to have. We have to work our way through this to something that, I don't know what phrase to use, we can live with, so we can move on to the years when times are better. We have tough issues to deal with, those aren't going away.

Kurt (union): We do have tough issues. There's a big gap between us. In caucus we said that health insurance is not like a department. It's not a collegiate unit. The members are already in departments. Health insurance is not a slice in the pie chart that accountants debate. It's about people's lives, their children, spouses, their own health. They are already sacrificing in their departments. It must be considered in a different way than the University is considering it. I wonder about philosophical differences that separate us. I wonder if we share the same values. I know that the collegiate and academic units retained all the money from temporary reductions in pay and furloughs. The university also has a policy that departments can supplement salary increases with across the board money. How does the academic administration group come up with four times the money that AFSCME does? It was in the budget at 2 percent. After reductions in pay, it's 3.9. That is a burning issue, what did departments do with the furlough money and temporary reductions in pay? Did they use that money to pay merit pay for management? Are we seeing this? Are these concessions in order to pay for merit pay?

Patti (management): The answer is no.

Kurt (union): That's a clear answer, but we would like to see actual data as to what happened with furlough pay. How is it that there seems to be a double standard for compensation? This is not an easy issue to resolve. As mad as we get at the employer there has been good faith in the relationship over the years. We do want to try to work out an agreement that, for lack of a better phrase, that we can live with. But we need to get in the same ballpark. We're far apart right now.

Patti (management): That's my fear as well, that we are very far apart as I look at time frame, we need to get a lot of sessions on the calendar to try to work through this. I think you're still working on dates and we'll move this along, the rest of August and September, hopefully shoot for concluding in the middle of October.

Kurt (union): I think that takes care of our questions and concerns.

Adjourn at 7:35pm