



Council Communication

Office of the City Manager

Date

November 20, 2006

Agenda Item No. 50
Roll Call No. 06-
Communication No. 06-739
Department: Tom Turner, Director of
Human Resources

AGENDA HEADING:

Approval of labor agreement extensions and Blue Choice Managed Care Network.

SYNOPSIS:

Recommend approval and authorize the Mayor to execute three-year extensions of five labor agreements with the various City bargaining units; receive and file extension of labor agreements with unions representing library employees; and authorize the Mayor to execute a binder with Wellmark Blue Cross and Blue Shield of Iowa (John Forsythe, Chairman and CEO, 636 Grand Avenue, Des Moines, IA 50309) to change to the Blue Choice Managed Care network, effective January 1, 2007.

FISCAL IMPACT:

Amount:

\$6,300,000 Annual Health Insurance savings due to network change

(\$174,000) Average annual cost of various benefit improvements in addition to 3.25% wage increases over the extended contract periods, as detailed below.

Funding Source:

The City's change to the Blue Choice Managed Care Network will significantly reduce the City's health insurance costs. In spring 2006, the City's FY 07 health and dental costs were projected to be \$21.2 million (net of employee contributions). In summer 2006, FY08 health and dental costs were projected to be \$25.2 million, a \$4 million increase from FY07. The network change under consideration will result in an annualized cost of \$17.2 million and a projected FY08 cost of \$18.9 million, which is \$6.3 million less than the original FY08 projection. Because approximately 75% of these costs are covered through General/Road Use Tax funds, \$4.7 million of the \$6.3 million cost savings will accrue to this funding source with the balance accruing to the various enterprise operations. Various benefit improvement costs will likewise be shared between General/Road Use Tax funds and enterprise funds.

ADDITIONAL INFORMATION:

The City of Des Moines provides health insurance to its employees through a plan insured by Wellmark. This plan essentially provides the same level of benefits across the various unions with slight differences in office visit and prescription drug co-payments.

In August 2006, staff made an inquiry to Wellmark regarding the possibility of switching to a managed care network without altering the negotiated benefits. This was to determine whether or not there were sufficient cost reductions to warrant a network change. After several meetings, the Blue Choice Managed Care Network

was identified as offering the most flexibility to employees. It would maintain current benefits and reduce premiums more than twenty percent (20%). The current family and single premiums are \$1046.28/mo. and \$418.51/mo. The new family and single premiums are \$827.41/mo. and \$330.99/mo. These rates are the lowest incurred since FY02.

Staff presented this option to the City Manager. It was understood that health insurance is a mandatory item of bargaining and implementing this change would require some level of negotiation with the various unions. After presenting the concept and the legal issues surrounding this change to the City Council in closed session, the plan was presented to representatives of each of the bargaining units, Supervisory, Professional and Management (SPM) employees' representatives, and Federation of Retired City Employee (FORCE-1) representatives. These representatives were provided information (a question and answer sheet) and had the opportunity to talk directly to Wellmark representatives about the change. Each of the unions engaged in various levels of bargaining, which led to new agreements with them in exchange for changing to the Blue Choice Network effective January 1, 2007. The following is a summary of the agreements:

Central Iowa Public Employees Council (CIPEC)

CIPEC agreed to accept the Blue Choice Network in exchange for a three-year extension of its agreement from June 30, 2009 to June 30, 2012. The current agreement's annual wages increases of 3.25% per year will continue for each year of the three years of the extension period. Additionally, CIPEC employees will receive a shift differential of \$0.25 per hour beginning on July 1, 2009. The estimated cost of this additional benefit is \$40,000 per year.

Municipal Employees Association (MEA)

MEA agreed to accept the Blue Choice Network in exchange for a three-year extension of its agreement from June 30, 2008 to June 30, 2011. The current agreement's annual increases of 3.25% per year will continue for each year of the three years of the extension period. Additionally, MEA employees who normally contribute 5% of the difference between the family and single premium for family health coverage will have their contributions reduced by \$17 per month for a period of three years, beginning January 1, 2007 and ending December 31, 2009. The new calculated premium contribution for the period of January 1, 2007 to June 30, 2007 is \$7.82 per month. The estimated cost of this premium reduction is \$43,300 per year or \$129,900 total.

Des Moines Association of Professional Fire Fighters, Local 4

Local 4 agreed to accept the Blue Choice Network in exchange for a three-year extension of its agreement from June 30, 2008 to June 30, 2011. The current agreement's annual increases of 3.25% per year will continue for each year of the three years of the extension period. Additionally, Local 4 employees will have the City's match to their section 457 plan deferrals increased from 2.0% to 2.5% beginning July 1, 2008. The cost of this additional benefit is \$75,000 per year.

Des Moines Police Bargaining Unit Association (PBU)

The PBU agreed to accept the Blue Choice network in exchange for a three-year extension of its agreement from June 30, 2009 to June 30, 2012. The current agreement's annual wages increases of 3.25% per year will continue for each year of the three years of the extension period. Additionally, PBU will have its longevity schedule increased to more closely match the longevity schedules of the other bargaining units. The PBU has a fixed annual payment for each of the six levels of longevity. The fixed amounts were as much as three-fourths of a percent below what the other units receive. This change will be implemented July 1, 2009. The cost of this change is \$65,000 per year.

American Federation of State, County and Municipal Employees, Council 61, Local 3673

AFSCME represents the City's Housing Services Department Employees. AFSCME agreed to accept the Blue Choice Network in exchange for a three-year extension of its agreement from June 30, 2008 to June 30, 2011. The current agreement's annual increases of 3.25% per year will continue for each of the three years of the extension period. Additionally, AFSCME employees who normally contribute 5% of the difference between the family and single premium for family health coverage will have their contributions reduced by \$17 per month for a period of three years, beginning January 1, 2007 and ending December 31, 2009. The new calculated premium contribution for the period of January 1, 2007 to June 30, 2007 is \$7.82 per month. The estimated cost of this premium reduction is \$6,200 per year or \$18,600 total.

Professional Employees Lodge No. 254, International Association of Machinist and Aerospace Workers , Unit 11 (Librarians)

The Librarians agreed to accept the Blue Choice Network in exchange for a three-year extension of their agreement from June 30, 2008 to June 30, 2011. The current agreement's annual increases of 3.25% per year will continue for each of the three years of the extension period. Additionally, the Librarians who normally contribute 5% of the difference between the family and single premium for family health coverage will have their contributions reduced by \$17 per month for a period of three years, beginning January 1, 2007 and ending December 31, 2009. The new calculated premium contribution for the period of January 1, 2007 to June 30, 2007 is \$7.82 per month. The estimated cost of this premium reduction is \$3,280 per year or \$9,840 total.

Professional Employees Lodge No. 254, International Association of Machinist and Aerospace Workers , Unit 10 (Clerks)

The Clerks agreed to accept the Blue Choice network in exchange for a three-year extension of their agreement from June 30, 2008 to June 30, 2011. The current agreement's annual increases of 3.25% per year will continue for each of the three years of the extension period. Additionally, the Clerks who normally contribute 5% of the difference between the family and single premium for family health coverage will have their contributions reduced by \$17 per month for a period of three years, beginning January 1, 2007 and ending December 31, 2009. The new calculated premium contribution for the period of January 1, 2007 to June 30, 2007 is \$7.82 per month. The estimated cost of this premium reduction is \$2,669 per year or \$7,980 total.

Supervisory, Professional and Management (SPM)

SPM employees who normally contribute 5% of the difference between the family and single premium for family health coverage will have their contributions reduced by \$17 per month for a period of three years, beginning January 1, 2007 and ending December 31, 2009. The new calculated premium contribution for the period January 1, 2007 to June 30, 2007 is \$7.82 per month. The estimated cost of this premium reduction is \$56,400 per year or \$169,200 total.

PREVIOUS COUNCIL ACTION(S):

Date: April 10, 2006

Roll Call Number: 06-712

Action: [Contract](#) with Wellmark Blue Cross and Blue Shield of Iowa (John Forsythe, CEO) for health insurance coverage for City employees with a retiree option July 1, 2006 through June 30, 2007. ([Council Communication No. 06-192](#)) Moved by Vlassis to adopt. City Manager will appropriate up to \$100,000 to

fund an Employee Wellness Program and will deposit the remainder into the fund balances of the City. Motion Carried 5-1. Council Member Brooks declares a conflict of interest and abstains from voting.

Date: February 20, 2006

Roll Call Number: 06-406

Action: Labor Agreement with the American Federation of State, County and Municipal Employees (AFSCME), Council 61 and its Affiliated Local 3673. ([Council Communication No. 06-077](#)) Moved by Kiernan to adopt. Motion Carried 7-0.

Date: December 19, 2005

Roll Call Number: 05-2998

Action: Approve agreements with Municipal Employees Association (MEA), Central Iowa Public Employees Council (CIPEC) and the Des Moines Police Bargaining Unit Association, and authorize the Mayor to sign formal agreements when available. Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 7, 2005

Roll Call Number: 05-354

Action: Approving new bargaining agreement with Des Moines Association of Professional Fire Fighters, Local No. 4. SPONSOR: Vlassis. ([Council Communication No. 05-065](#)) Moved by Coleman to adopt. Motion Carried 6-1. Nays: Kiernan

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE