



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 515: Collective Bargaining for Health Care Coverage for Municipal Employees

Assembly Bill 515 (AB 515) was introduced on June 28, 2005, and was referred to the Joint Committee on Finance. The bill would prohibit municipal employees from bargaining over the selection of a health care coverage plan if the municipal employer offered to enroll its employees in a plan provided to local government employers by the Department of Employee Trust Funds (ETF) through its Group Insurance Board (GIB) or in a plan that is substantially similar to the plan offered by the GIB.

SUMMARY OF BILL

Under Assembly Bill 515, a municipal employer would be authorized to unilaterally change its employees' health care coverage plan provider without the consent of any affected employee in the collective bargaining unit if: (1) the benefits provided by the new health care coverage plan provider are substantially similar to those provided by the former health care coverage plan provider; and (2) either the persons who provide health care coverage under the new plan are the same as under the former plan or cost savings will result from changing the health care coverage plan provider. The bill specifies that any unilateral change in health care coverage plan provider is neither a violation of a collective bargaining agreement nor a prohibited employment practice. As a result, municipal employers could change health care plans during the term of an existing employee contract. Further, for purposes of implementing a qualified economic offer, a unilateral change by the employer of health care coverage would still be deemed to satisfy the requirement that the employer maintain the employee fringe benefits package (and funding commitment to it) from one contract period to the next.

The bill would prohibit a municipal employer from bargaining collectively with respect to the employer's selection of a health care coverage plan if the municipal employer offered to enroll the employees in a health care coverage plan provided to municipal employees by ETF or in a health care coverage plan that was substantially similar to such a plan. Under current practice, the Wisconsin Employment Relations Commission (WERC) has consistently held that matters such as changing the benefits provided under group health insurance coverage or choosing an insurance carrier to provide such coverage affect wages, hours, and conditions of employment and, therefore, are mandatory subjects of bargaining.

The Office of the Commissioner of Insurance (OCI) would be required to promulgate rules that set out a standardized summary of benefits provided under health care coverage plans, including plans offered through ETF, for use in determining whether a health care coverage plan is "substantially similar" to a plan offered by ETF. In making municipal employment arbitration decisions, WERC would be required to use the criteria developed in rules promulgated by OCI to determine if health care coverage plans are substantially similar.

Under the bill, a municipal employer would be required to use 50% of the net savings that accrue to the employer due to a change in health care coverage plan provider to increase the wages paid to the affected municipal employees (and to pay wage-related costs incurred by the employer for such employees) during the 12-month period following the effective date of the change. The bill also specifies that the payment of any increase in wages and wage-related costs by the municipal employer is not a prohibited employment practice.

For municipal employees who are also school district professional employees subject to a qualified economic offer, AB 515, as drafted, is ambiguous with respect to whether the 50% of net savings that accrue to the employer and must be passed on to the affected employees during the first 12 months following a health care coverage plan change are to be considered *within* the amounts required to be funded by the employer under a valid qualified economic offer or are *in addition to* the amounts required to be funded by the employer under a valid qualified economic offer. The Committee may wish to adopt an amendment clarifying how such payments should be treated.

The provisions of the bill would initially apply to collective bargaining agreements entered into, extended, modified, or renewed, whichever occurs first, beginning on the day following publication of the legislation.

FISCAL EFFECT

No centralized source of current municipal employer health insurance benefits coverage levels or cost data is currently available. Absent this information, it is impossible to determine either the number of municipal employers who might find it advantageous to take advantage of the health insurance coverage plan options that would be made available under the bill or the potential employer cost savings that might result from such actions.

Assembly Bill 515 does not create an appropriation or provide funding. However, fiscal estimates for AB 515 have been prepared by the WERC and ETF.

Wisconsin Employment Relations Commission. The WERC indicates that any additional workload created by the bill would be absorbed by existing Commission staff. Regarding the impact of the bill on local government costs, WERC estimates that "Because only 50% of any savings generated by AB 515 will be passed on to employees, AB 515 will reduce local government costs."

Employee Trust Funds. ETF indicates that state and local government costs under AB 515 are indeterminate. According to the agency:

"Increasing the number of local government employers participating in the GIB program could affect the program costs in the following manner: 1) Increasing the number of participants may decrease or increase the program costs (premium per contract) depending on the demographic composition of the new participants. For example, if a large local government employer composed of older than average employees joined, the program costs may increase due to the increased risk associated with this older than average group. 2) If a large number of local employers joined, administrative costs of the Department of Employee Trust Funds may increase to handle tasks such as enrollment, processing and auditing (additional SEG positions may also be required).

Both cost factors referenced above are a function of the number of local government employers who would join, the demographic composition of the new employees (for health insurance underwriting purposes), and the total number of new participating employees. Since these factors are not known, the fiscal estimate is indeterminate."

Office of the Commissioner of Insurance. Although OCI did not submit a fiscal estimate for AB 515, it did develop cost projections for Senate Bill 242, which would impose responsibilities on the agency that are similar to those under AB 515. According to OCI, establishing the definition of a substantially similar health care plan, and determining what set of standardized benefits would meet the definition, would require the hiring of an actuary at a cost of approximately \$20,000. Actual promulgation of the rules is estimated to increase OCI's costs, but the agency indicates that such costs could be absorbed within existing resources. Further, OCI indicates that the effect on local governments is indeterminate at this time.

Prepared by: Jere Bauer