

Michigan State Employees Coalition



Council 25



Local 517M



Local 526M



MSEA/Local 5



Local 6000

January 13, 2013

-via electronic mail-

Thomas M. Wardrop, Chair
James Barrett, Commissioner
Charles Blockett, Jr., Commissioner
Robert W. Swanson, Commissioner

CIVIL SERVICE COMMISSION
Capitol Commons Ctr.
400 S. Pine Street
Lansing, Michigan 48909

Dear Commissioners:

At the December 20, 2013 Civil Service Commission meeting, the Commission prudently tabled voting on the impasse panel's recommended decision on outstanding issues between State employee unions and the Office of the State Employer. The Commission so acted to allow OSE to obtain outstanding union-requested Blue Cross Blue Shield health insurance information and provide it to the Unions so the parties could assess it, discuss it, and reach bargaining outcomes based on real data. You'll recall that the Coalition unions felt the real data was critical for two main reasons.

First, the Coalition objected to the impasse panel's findings on health care because OSE's proposal for concessions was not predicated on any real data to support a shift in health insurance costs to State employees. As the Coalition unions noted in their impasse panel briefs and at the Commission meeting, because OSE did not provide the unions requested necessary and relevant information to accurately assess and discuss health care, the absence of that data severely limited Union negotiators when confronted with OSE's concessionary proposals and hindered the parties' efforts to reach voluntary agreements. The absence of the critical union-requested health care data likewise precluded the impasse panel from reaching a fair Commission recommendation on health insurance.

Second, the Coalition objected to the impasse panel's findings because the overwhelming improvement in the State's financial revenues and economic stability was increasingly evident and the

notion that State employees who had reluctantly accepted concessions during the economic downturn should continue to make additional concessions during a period of growth was unwarranted under the Commission's rules.

The Commission, in its wisdom, recognized that for the impasse panel process to be fair, OSE should provide the Coalition available information about the financial stability of the State-supported health plans to allow the parties to address that information for possible resolution of their differences and joint recommendation to the Commission. The one-month extension of the current CBAs have afforded the Coalition and OSE an opportunity to obtain and review the relevant data and jointly work toward an agreed-upon health insurance package based on real facts.

Since the Commission meeting, considerable data on the State Health Plan has been produced by Blue Cross Blue Shield of Michigan and examined by the Coalition and OSE. The newly produced data is clear. It shows that there is no need for State employees to make health care concessions.

During the negotiation process, and in presentation to both the impasse panel and the Commission, OSE relied on health insurance cost projections for 2013 which were inaccurate and did not support its argument for major changes to the State-sponsored health plans. OSE used the same faulty methods to determine FY2014, FY2015 and FY2016 projections.

That's because rather than use actual data to determine FY2013 costs, OSE used a projection made or revised in September 2013. That projection was based on an anticipated 7.7 percent increase in claims in the State Health Plan. Actual up-to-date claims data was apparently not used to support that projection. In fact, the 8 percent premium increase which was implemented October 1, 2013 was purportedly established based on the same faulty projection.

With OSE's recent production of the Blue Cross Blue Shield claims data long sought by the Coalition, it is now apparent that OSE's calculations were grossly overstated. During all previous bargaining sessions with OSE, the Coalition had access to incomplete and outdated information along with OSE-generated projections that appeared to be flawed.

The new and accurate Blue Cross Blue Shield data shows that although OSE projected a claims experience in 2013 of \$245,234,951, actual claims totaled only \$214,179,292 – a \$31 million difference. The following is a summary of health care and mental health claims paid by the OSE for both the State Health Plan and the New State Health Plan according to the long-awaited information provided by Blue Cross Blue Shield.

Healthcare and Mental Health Claims

2011 Actual	\$208,380,448
2012 Actual	\$211,339,466
<i>2013 Projected</i>	<i>\$245,234,951</i>
2013 ACTUAL	\$214,179,292

The real Blue Cross Blue Shield data shows that OSE's claim that the actual State Health Plan claims totaled \$227,046,761, although unexplained, is still \$17 million less than the original projection. Even if this difference can be explained, the difference in projected costs and actual costs is still wide. Although prescription drug costs increased, the reasons for this are unknown at this time and OSE could not provide an explanation. Nevertheless, future projections should be approached cautiously given that the drug program was changed this past year, resulting in sketchy utilization numbers.

What this all means is that OSE provided the Coalition and the impasse panel information predicting large health care cost increases using flawed methodology that resulted in the panel's concessionary health care recommendation for State employees.

In addition to these discoveries uncovered by the Coalition during this Commission-provided investigation period, the Coalition revisited and proposed to OSE partnering on the tremendous opportunity to save an additional estimated \$24 million through a managed therapy program. It is the Unions' position that this program would be a smart way to manage the financial stability of the State-sponsored health plans.

Theramatrix is a managed care therapy program with a proven track record in producing real savings at both General Motors and Ford Motor Company. Theramatrix presented that track record at the Coalition's request at a labor-management meeting during negotiations. OSE expressed skepticism at Theramatrix's estimated savings and, unfortunately, discussions did not lead to a positive conclusion.

However, now that the parties have actual Blue Cross Blue Shield claims data, it is even clearer that implementing a program similar to that offered by Theramatrix would save the State conservatively \$24 million annually, comparing the experience at both Ford and General Motors. During this Commission-granted period for the parties to work together on health insurance bargaining issues in light of real information produced by Blue Cross Blue Shield, the Coalition proposed that the parties review and implement a managed care therapy program within 90 days of contract ratification. OSE summarily rejected this proposal for savings.

All of the above demonstrates that the Commission was right to table a vote on the impasse panel recommendation because it is clear that the faulty data it relied on led to a recommendation which would have imposed unnecessary and inappropriate concessions on State workers. Additionally, it is very troubling that OSE refused to work with the Coalition to modify its position when the Blue Cross Blue Shield data finally came to light late last week. The Commission should consider OSE's refusal to revisit its position in light of hard data to be a red flag and sign that OSE abdicated its share of the work the Commission envisioned would occur during the one-month CBA extension it granted, including negotiation of a mutually acceptable resolution. If the Commission rewards OSE's intransigence, the negotiation and impasse process will effectively be a nullity. And the Commission's adoption of the impasse panel's recommendation will certainly chill State employee efforts to identify additional health care cost savings when it seems clear that OSE accords no meaningful outcome for those efforts. These savings opportunities would include analyzing the HMO's for possible savings, considering implementation of wellness plans that have been successful in other venues, and working together to explore other innovative savings ideas to provide State employees quality health care at affordable prices.

For all of the above reasons, it is the Coalition's position that the Commission must reject the impasse panel's health insurance recommendation and substitute in its place the status quo in all areas of disagreement. With that status quo, the Coalition also urges the Commission to demand the best efforts of all parties to work together during the new contract period to hold down health care costs. This is our obligation to our members, as well as to the rest of Michigan's citizens.

Very truly yours,

A handwritten signature in black ink, appearing to read "Cindy Estrada". The signature is fluid and cursive, with the first name "Cindy" being more prominent than the last name "Estrada".

Cindy Estrada
Vice President
International Union, UAW and
Chief Spokesperson, Coalition of State
Employees Union

CE:sw
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cc: Mel Grieshaber
Ed Mitchell
Ken Moore
Robyn Price
Bill Ruhf