

Budget Director: Need Health-Care Savings To Afford Pay Raises

By RICHARD STEIER | Posted: Monday, March 10, 2014 5:15 pm

With the city's annual health-care costs already at \$6 billion and slated to rise by another \$1 billion every two years, Budget Director Dean Fuleihan spelled out publicly March 5 what other city officials had already said privately: any pay raises for the bargaining round that generally dates back to 2010 will have to be accompanied by ways of reducing what the city spends for employee and retiree coverage.

"We need to find ways to control costs while providing high-quality health care to our employees," Mr. Fuleihan told a City Council hearing that was otherwise more devoted to pleasantries than substantive business.

Later in the hearing, City Comptroller Scott Stringer expressed urgency on a slightly different subject: the need to know by June 30 what the city's likely contract costs will be for fiscal year 2015, which begins the following day.

He, too, raised the issue of having employees contribute to their health care. Currently, the basic city plan requires no employee contribution, although many workers either opt for other plans for which there is a charge or purchase an optional rider that provides supplemental coverage.

'Health Costs Growing 8%'

"Health-care costs are growing 8 percent, and we certainly do have to have that discussion," Mr. Stringer told reporters following his testimony.

The Citizens Budget Commission, a business-backed fiscal watchdog, has estimated the city could save \$1.8 billion a year if employees were required to pay 10 percent of their health-care premiums, with a 25-percent charge for family coverage and 50 percent for retirees. Although state workers under a giveback-laden deal with Governor Cuomo pay 16 percent of their individual premiums and 31 percent for family coverage, it is hard to imagine the municipal unions agreeing to anything in those neighborhoods.

City transit workers pay 1.5 percent of their salaries based on a 40-hour week toward their health-care coverage, and a presidential panel—in a deal rejected by the Metropolitan Transportation Authority—last December proposed that Long Island Rail Road workers pay up to 2.25 percent of salary on the same 40-hour standard.

Sergeants Benevolent Association President Edward D. Mullins March 5 said his union next

month will put forward an alternative method of savings through a wellness program promoting better health among the workforce that would not require health-care contributions for basic coverage beyond the co-pays already required of employees for matters such as doctors' visits.

MLC Head: Already Talking

Any discussions on health-care changes would be conducted with the Municipal Labor Committee. Its chairman, Harry Nespoli, who also is president of the Uniformed Sanitationmen's Association, told this newspaper late last month that the issue had come up in informal discussions he's had with Labor Relations Commissioner Robert W. Linn. Mr. Linn has declined to comment on any conversations he's had with labor leaders since returning in late January to a job he previously held from 1984 through 1989 under Mayor Ed Koch.

There is a complicating factor for health-benefit discussions that also figures to delay serious discussion of terms for new pacts for the entire municipal workforce: the fact that several significant unions, including the United Federation of Teachers and the New York State Nurses Association, never received the two 4-percent raises granted to most employee groups under deals reached with then-Mayor Michael Bloomberg by 2008, before he cut off bargaining because of the city's worsening finances following the national meltdown.

Both those unions are awaiting arbitration awards expected to come sometime this spring; only the one governing NYSNA is binding, although the fact-finding procedure used in the UFT case has traditionally created the framework for an eventual settlement. The fact that Mr. Bloomberg had already created a clear bargaining pattern with roughly 57 percent of the workforce has generated the expectation that the two panels will abide by it and grant or recommend the same 4-percent raises in each of two years.

Retroactivity Question

Less certain is whether those hikes will carry full retroactivity. That has been a longtime feature of both negotiated contracts and those reached through arbitration, but the long delay in settling these pacts—the UFT's previous one expired Nov. 1, 2009—has created a huge financial obligation for the city if that custom is upheld. It has been estimated that making two 4-percent raises for the UFT alone fully retroactive would cost more than \$3 billion; if the same was done for Registered Nurses represented by NYSNA and for other unions representing Licensed Practical Nurses, school supervisors and school custodians, the tab would rise to \$4 billion.

The de Blasio administration is believed to have argued that this would put an unreasonable strain on its budget and threaten the city's fiscal soundness. One significant point of contention in the UFT proceeding while Mr. Bloomberg was still in office was whether it was permissible for

payment of the retroactive money to be spread out over more than one fiscal year.

During the mid-1970s fiscal crisis, the municipal unions agreed to defer raises that had already been negotiated, and that money was not paid until the early 1980s. At the time the wage-deferral agreement was reached, however, the city was not under Generally Accepted Accounting Principles. It adopted them subsequently as part of the agreement that helped bring it back from the verge of bankruptcy, and the Bloomberg administration contended that GAAP prohibited the spreading out of an obligation beyond the fiscal year in which it came due. An expert witness for the UFT, however, said that under certain conditions the payment could be stretched over a longer period.

Pivotal Issue for Arbiters

The arbitrators, particularly in the binding NYSNA case, must decide which argument is valid. If they accept the city's, that increases the possibility of a reduction in the retroactive portion of their award, since arbitrators must consider a government's ability to pay in determining what the terms of an award should be.

While the de Blasio administration has the option of trying to negotiate deals with those unions prior to the awards being issued, it's unlikely that either the UFT or NYSNA would be amenable to anything that didn't provide full retroactivity, given past practice and the huge amounts of money involved for their members.

In the interim, it is possible to begin talks on both wages and health benefits for the other unions, but the outcome of both those discussions would clearly be affected by the arbitrations.

Speaking with reporters, Mr. Stringer said that while it wasn't essential to have the larger bargaining round concluded by the end of this fiscal year, not having a new pattern settlement in place would make it difficult to determine whether the upcoming city budget was in balance as of July 1, as it is required to be. That could jeopardize the city's AA bond rating, he said, and cause the rating agencies to lower the city's overall credit rating.

'No Way to Budget'

Without at least an outline of what the contracts will cost, he said, "there's no way to put out an FY15 budget."

And, he added, "The more you delay resolution of these contracts, the more the issue of retro is going to come up."

Beyond the tremors that could be created in the financial community, the Comptroller said, "More uncertainty for city workers is not healthy for our city."

If there is one bright spot, Mr. Stringer said, it's that both sides have expressed a willingness to engage in serious talks. That's a sharp contrast to Mr. Bloomberg's last term, when his refusal to extend the bargaining pattern to the unions that hadn't gotten it at the same time he insisted that any future raises for the rest of the workforce had to be completely offset by givebacks led labor leaders to abandon efforts to reach deals with him, instead counting on his successor being more reasonable.

"The best thing that can happen is for the labor unions to work collaboratively with the city," Mr. Stringer said.