

LEGAL AND LEGISLATIVE COMMITTEE

July 3, 2001

5:00 P.M.

The meeting of the Legal and Legislative Committee was called to order by Chairman Littlefield, with Councilmen Lively, Robinson, Page, Benson, Franklin, Taylor, Pierce, and Hakeem present. Attorney Randall Nelson and Shirley Crowover, Assistant Clerk to the Council, were also present.

Others present included Donna Kelley, Tracy Clarke, Adm. Boney, and Mike Compton.

CITY EMPLOYEE INSURANCE

Chairman Littlefield stated that the meeting was getting started a little late; that the Council had had another committee meeting and that this matter could be carried into the Council meeting at 6:00 P.M. He stated that he was Chairman of this committee, which was really a hearing relative to City employee benefits.

Resolution (f) on tonight's Agenda authorizes the Mayor to enter into a Contract with Blue Cross Blue Shield to provide healthcare insurance coverage to City employees for an eleven (11) month period with an option for six (6) months' extension. There is also an Ordinance to amend Chattanooga City Code, Part II, Section 2-175, providing for hospitalization and other benefits after retirement.

Chairman Littlefield stated that the City had been distributing material on this; that we wanted to bring employees up to speed on this and that was the purpose of this hearing. He noted that Councilman Page and Councilwoman Robinson are official members of this committee but any Council member can take part and vote. He stated that this would be a hearing and not a debate; that the Council was very interested in what employees had to say; that people had been calling him to ask if there was any reason to come to the meeting, and he had answered "absolutely". He stated that he would first call on Tracy Clarke to give us a briefing on the Benefit Package; he would then call on group representatives first, such as the representative from the Firefighters, Police Union, and Public Works Unions and the spokesperson from these organizations would be heard from first; that all who wished to speak would be given an opportunity, even if it meant having this meeting recessed until after the Council meeting. He then called on Mr. Clarke.

Mr. Clarke stated that they had been keeping tabs on this and the response when they put out bids on this was an increase of \$4.9 million to keep a comparable Plan, and the City cannot afford to pay this. The lowest and best bidder was Blue Cross; that we had come up with a Plan that we could afford; that we had compared what other cities and states are doing and also Hamilton County and the School Board; that everyone has to realize that the taxpayers are paying and the medium plan of taxpayers and do the taxpayers have retiree coverage. He stated that Blue Cross had come up with a good Plan at a reasonable

rate, and the City will still have a significant budget of around \$1.5 million. He stated that not all of this falls on City employees; that a lot of employees had looked at the information made available and there are significant changes in deductibles and out-of-pocket expenses. One of the primary things is co-payments for physician visits and annual physicals and pre-natal care; that we are still pushing prevention; that co-payments should be going toward deductibles; that co-payments do not go toward deductibles now. The current deductible is \$200.00, and this will simply be raised to \$500.00. There has to be a concession where we increase our share in utilizing the Plan. He encouraged employees to ask their neighbors what kind of insurance coverage they have; that we still have an incredible deal and can walk out after the age of 65 and still carry our insurance with us at a reasonable price and no other governments in this town has this. He continued, stating that there was a lot of confusion among retirees—that they are driving the cost of this Plan up; that nothing will affect these retirees; that those of retirement age who do not like this can retire and stay at the current 20% before 2002. He stated that this was to protect the Plan and stop retirees from having a negative impact. He added that insurance for retirees started in the late 1970's; that retirees had not always been covered; that it had just happened over the last 20 years. The floor was then opened for comments.

Officer Neblette was the first to speak. He stated that he was **William K. Neblette** with the Police Benevolent Association and had been here for 16 years; that he had discussed the Plan with Mr. Clarke, and he had supplied them with a Summary and several members had concerns about maximum out-of-pocket expenses—that this was the major concern. The deductible was going to \$500.00; with a family of four it would be \$4,000.00; that we would be paying more and more up front, and this would produce an undue hardship; that with the deductible going up to \$500.00 it would encourage employees to use the emergency room less and opt to go to the doctor; that employees would have to decide between going to the emergency room and going to the doctor; that if going to the emergency room would cost \$500.00, then employees will go to the doctor and pay \$20.00; that we would not be getting credit for the \$20.00 co-payment and making the decision of going to the doctor; that paying \$500.00 at the hospital goes toward the deductible but look at the amount of money one would have to pay; that if a doctor suggested an MRI, the employee would have to decided whether they really wanted to do this as it would cost \$500.00; that once an employee has met the \$500.00 deductible for himself and his child gets hurt, then he would have to come up with another \$500.00; that it would cost \$500.00 to get the child checked out, and this was an undue hardship; that not being able to afford going to he emergency room would affect the quality of life. Officer Neblette went on to say that if employees chose to use generic drugs, they would get no credit for wisely making this choice.

Officer Neblette stated that they understood the needs and that the City was trying to bring the program more towards industry standards, but in dealing with benefits this is a significant financial increase and a significant change. He stated that there had been no discussion on the compensation side; that in looking at packages in industry, they started on the compensation side. He stated that patrolmen in the Police Department are below the average and the cost-of-living increase is 2 ½%, and we are behind on the compensation side. He stated that they knew a lot of work had gone into this, and they understood it was expensive and that some of the increases would fall on the employees in getting this close to industry standards. He stated that they would like a commitment from the Council on the compensation side in an effort to move towards industry standards on all levels.

He went on to say that it was a well documented fact that policemen have more heart trouble and diabetes and generally your body is a wreck; that they have to use more than the average citizen in health care. He asked that the Council look at the job being performed as being more than an average job and look at the bigger picture.

He stated in closing that the consensus of their members was to ask the Council to table this issue and examine the points that he brought out and to bring the compensation part up and present the “whole meal”. He recommended tabling this to be re-examined and thought through more.

Rusty Rymer of the Firefighters was the next speaker. He stated that he represented 200 members of the Firefighters and that they agreed with the Police Department. He stated that they had received a letter from Chip O’Dell and wanted to voice their concerns; that they knew that insurance costs had increased nationwide; that our Plan does not include dental nor vision care; that in looking at the tax base and insurance premiums over the last 25 years, that retirees would receive a modest 3% and will only break even, and the cost-of-living will increase; that after 2002 retirees would be paying 50% more for the same coverage. He urged not to raise taxes to pay for health care and burden the citizens of the City; that we had spent money for the School Board, and the City needed to be aware of expenditures and use money more wisely. He asked that the proposal be tabled.

Tony Boyd of Citywide Services spoke next. He stated that some of their concerns had been addressed, and he would not re-hash them. He stated that they had a workforce unlike other departments; that they had entry-level people raising a family on \$15,000.00, and their maintenance medicines were ranging from \$300 to \$400 a month; that where they were paying \$20.00 for 100 pills, they would now have to pay 20% of \$400.00. He stated that a large percentage of their workforce makes lower pay. He stated that they, too, understood that the health insurance problem was nationwide, but the Council needed to step back and look at our City and the rate of pay; that the out-of-pocket expense would be devastating to the man making \$15,000 and \$18,000. He stated that they employees could not pay these prices and would be bankrupt. He stated that this

issue had moved fast and that they had heard about it in the papers; that when it moves this fast, it is difficult to grasp.

Chairman Littlefield agreed that it was moving fast, and we wanted to get employees' thoughts on record. He then opened the floor to individuals to speak.

The first individual to speak was **Gerald Dossett** of the Police Department. He stated that he had read over this and was shocked; that making \$34,000 a year with four kids, an increase of this sort would be a hardship if they got sick; there would be a \$500.00 deductible for himself and \$250.00 for the kids and then 20% of a hospital bill would mean financial ruin for him; that his premium was going from \$56 to \$97; that he was for saving money where we can and was not against change, but this was drastic; that 5-6 days was not enough time to educate everyone; that it was a total shock to him; that he would be just one sickness away from bankruptcy; that this was too much money for him and would place an undue hardship on his family; that he would do his part but this issue hit city employees 17 years before retirement; that it would affect all of us no matter how much money you made; that it would be a hardship on an employee and his family. He asked that the Council look at this from his standpoint; that they would do their part as employees, and they expected the City to look in their direction sometime.

Leondra Jordan was the next speaker. She stated she was with Fleet Management. She urged the Council to take a good look at retirees—50% more after 2002. She stated that she had worked 24 years and could retire in February of 2002; that she had stayed with the City for this benefit; that she was a diabetic and asked for the same rate as the group plan and some kind of phase-out for people that are close to retirement.

Bobby Harris with Public Works spoke next. He stated that there were a couple of things that he was not aware of; that last year the City encountered a 34% increase in insurance and the City absorbed 11% and the City Employee 23%. Mr. Clarke interjected that this was "incorrect". Mr. Harris mentioned that the State of Tennessee was paying 20% of the cost and employees may be paying 20% of a lesser figure. He asked, like the Fire and Police, that this be looked at as part of the big picture; that health insurance is a positive to employees even though some salaries are considerably less and that we do this as a balance. He asked that this be tabled to be discussed some more.

Terry Cotter of Public Works was the next speaker. He mentioned \$1,000 of medical expenses a month and stated there should be a cap; that everyone has children and going to the emergency room would cost \$500.00.

Renee Hester of the Treasurer's Office spoke next. She stated that this was very emotional to her; that she worked for the City because of the health benefits; that her salary was not wonderful; that she had worked here 9 years and her husband had no insurance; that they had lost their home; that one of the reasons she worked here was

because she loved her job and public service was a wonderful thing; that she could make more money elsewhere and if you take away our health benefits, where does this leave us. She stated that they had \$2,000 + medical expenses per month and it could increase to \$3,000 or \$4,000; that she might have to lose her job and go someplace else. She stated that she was not the only person like this, stating that this was making it more fair for those who don't use it.

Jessie Harvey of Public Works was the next speaker. He stated that he had worked 3-4 years in Public Works and that one of the reasons he started here was for the insurance; that his little boy was sick and when he gets a cough, he has to go to the doctor; that he was in the hospital for four days with a temperature of 105 degrees and his fever broke and the doctor had no idea what caused it. He stated that this would hurt him and his family; that he had two more kids that were not sick as often as his little boy. He stated that part of the little boy's brain was dead; that they had seen all of the specialists and no one knows what is wrong. He asked if the cost goes up, what would he do; that he would lose everything that he had; that he did not have much, but he would like to keep what he had; that his little boy meant more to him than anyone in the world and questioned what would happen if he had to bring him to the emergency room. He asked that the Council try to help some of them.

Calvin Wilson of Public Works spoke next. He stated that he had experienced lots of costs because his wife was disabled; that if he had to start paying 20%, he would not be able to afford this and would have to do without needed medicines. He stated that the premiums were going up and asked about the possibility of searching for an alternative Health Care Plan or some other way to subsidize the skyrocketing expenses. He stated that where there is a will there is a way. He stated that he had to take vacation time to come to this meeting. He urged the Council to look at different alternatives and keep the health care expense down.

Sigmund Black of Public Works was the next speaker. He stated that he thought he saw people in here now suffering because of the threat of bankruptcy and those with serious illnesses; that if you were confronted with a serious illness you would lose your income and now would be paying for insurance you can't afford. He stated that some employees could not afford this insurance; that it was unrealistic and preposterous; that firemen and policemen risk their lives and under bad working conditions; that insurance is great but the cost is out of sight, and the employees cannot afford it; that this was not sympathy nor emotion—that employees just could not afford it. He asked how employees were expected to live under these conditions and asked for a chance to consider this—that for the Council to give us a chance to consider it and come up with an alternative plan. He ended by saying that people were told when they have a problem to go to the Council, and he stated "Well, here we are!"

Margaret Chastain of the Police Dept. spoke next. She stated that she did not wish to retire January 2nd; that based on the information she had, she would be forced to retire or pay 50% more; that Administration was saying to them “bye—we don’t want you anymore, we will find someone cheaper or stay and give us 50% more”.

Danny Green of Public Works was the next speaker. He stated that all of the employees here tonight would be affected. He asked the Council to take into consideration future employees; that people take a lesser rate of pay and come here because of the insurance. He asked what effect this would have on future employment; that as proposed, it would be difficult to attract employees who would be willing to come to work for lesser pay; that this would take away the ability to attract employees in the future; that if people were forced out in order to take 50% less and people go by the end of the year, they would need to be replaced. He stated that this had been an attractive package, and if it were not there to offer, it would make it more difficult to get people to come to work for the City.

Walter Banther spoke next. He stated that he operated heavy equipment; that he was paying a \$12,000 hospital bill on himself; that he had four kids and at his rate of pay now, he could not afford this; that if insurance goes up then employees’ pay rate needs to go up. He stated that he had a daughter with asthma and other kids with allergies, and the insurance would not pay for an allergy test. He questioned how they were expected to do all this with the rate of pay they were making.

Stephen West of Public Works was the next speaker. He stated that he had to spend for his mother; that she had retired from the City with \$500+ a month and had to pay \$100 for insurance with the City; that she paid \$300 for medication. He stated that he was trying to help his mother and still had a family of his own; that this would put a bigger burden on her, and he also had a daughter with asthma; that if he had to take her to the Emergency Room, he would not have \$500 to give to the hospital. He asked that this be put on the “back burner” and see if the City could not come up with a better deal.

Mr. Clarke responded, stating that it was obvious when there is a change in a Plan that there are individuals who will be affected but by not changing the Plan, we are asking our neighbors to pay for this for us. He stated that he was in this Plan, too and had three children; that the way our current Plan is designed, it has produced a \$4.9 million dollar increase; that if we kept it the same that next year we would have a similar increase that would go up to \$9 million dollars.

Chairman Littlefield asked Mr. Clarke to speak to the situation that other Plans have faced.

Mr. Clarke stated that in Nashville a BC-BS PPO has gone up 25% for premiums across the board; that their pay is comparable to ours, and they have a more expensive plan in line.

Chairman Littlefield stated that he understood we could operate under an extension of our present Plan for one month. Mr. Clarke responded that it expired July 31, 2001. Chairman Littlefield noted that we needed to pass this Resolution and Ordinance tonight.

Mary Lee Milburn of BC-BS was asked to speak. She stated that this had been an excruciating process for the City and also for Blue Cross; that they valued the City of Chattanooga as a customer and were good citizens of the City. She stated that every year Blue Cross takes a loss on the City's plan; that they were not trying to make this loss up; that they were covering claims. She stated that this Plan was Option F and one the City could afford; that the City went to the market place and others bid more. She stated that this was excruciating for the City and Blue Cross and for employees across the country; that we had to realize that the cost of health care is skyrocketing and the cost of prescription drugs are even more. She mentioned a couple of perceptions, stating that a gentleman had spoken about \$50,000 for by-pass surgery. She stated that the maximum out-of-pocket was there to protect the employee. She explained that the deductible was not like car insurance; that it was on the calendar year. She mentioned that Option G was a 20%-80% plan with no co-pay for doctor visits; that the City had asked what Blue Cross could do for them and still keep the office visit co-payment. She emphasized that we would still have the \$20.00 co-payment and that routine lab work would still be covered without meeting a deductible first.

Mr. Black asked how much a person would have to pay for a \$50,000 hospital bill. Ms. Milburn responded that the maximum would be \$4,000 in the network and would be \$2,000 a year. She stated that employees needed to take a calmer look; that she knew this was an emotional thing for them. She stated that this Plan was not unusual at all; that in fact it was very unusual to have this kind of Plan for employees.

Councilman Lively asked if this was a \$500.00 deductible per individual. Ms. Milburn explained that it was per individual in a family; that there is a maximum deductible of \$4,000 for a family which is another protection since this would apply to any number.

Councilman Benson stated that he was concerned for all in this audience; that they had presented a very dignified position even with the emotional problems. He shared that he had a member of his family with a catastrophic disease. He stated that he wished there was more time to give attention to this, noting that a lot of pressure was being put on the Council; that we needed to get this Plan in force; that it was hard stuff working on this day and night, but we need never lose sight of the individual and passion.

Officer Neblette urged the Council to look at a total compensation package in line with the market place; that this is a national problem that we are trying to take care of locally. He asked that the Council give some credit to employees and look at the total compensation. He asked that the transition be made into the “real world” and to minimize any hurt. He asked that this be put off for several weeks.

Councilman Page stated that the question he had was concerning a lot of mis-information and difficulty on the part of employees in understanding the different ingredients of the policy. He asked what education, so far, had the City given employees—if they had been given any direction? He stated that most businesses decide on the policy and then educate the employees. He stated that he questioned the employees not being informed about the policy and the Council having to vote. He stated that the Council was interested in the welfare of employees and that this was a most important issue; that we needed to change the Plan and compensate equitably. He noted that the Council had to take the heat and expressed appreciation to those present and for what they had to say. He added that education needs to go on; that the employees need to understand the Plan better; that this was haphazard and a lot of questions need to be answered.

Chairman Littlefield asked if material went out with employees’ paychecks with a schedule of meetings.

Ms. Kelley responded that this happened last week; that a message was sent to people with Outlook and supervisors were asked to pass it on. She mentioned a Summary of Benefits. She added that other meetings were scheduled to talk to employees and explain this.

Councilman Taylor questioned if this did not go out with paychecks and if this was the first time employees had any knowledge of this.

One employee in the audience stated that they heard about it through the news.

Mr. Clarke stated that he thought most of those present knew about the proposal.

Councilman Pierce stated that he would like to ask the young lady from Blue Cross if we could get another extension; that this was a little overbearing; that the Council had compassion for all. He stated that he wanted to think about this.

The representative from Blue Cross answered that she did not have this authority.

Mr. Clarke stated that they planned to start educating employees on Friday; that the reason that education had not been accomplished was because this is a proposal at this time. He reiterated that it was scheduled to start on Friday.

Councilman Lively stated that he realized we were under a time constraint; that he had been in the private sector all of his life; that we should take this policy being presented; that the employees may not have been given information but the Policy is a good policy and what corporate America has. He stated that our insurance had been kept artificially low; that he did not think the employees should get too disturbed, and we could start to educate immediately.

Mr. Clarke reiterated that we have to have a Plan before we educate.

Councilman Lively noted that there was a lot of fear; that once we adopt this, we can educate the people in a hurry.

Councilman Taylor stated that his basic concern was that the Council thought it was going out in the paychecks; that one week allowed enough time to do this.

The representative from Blue Cross stated that the City had been given a one-month extension, and they did not raise the premium. She stated this should have been done by July 1st and the extension was until August 1st.

Councilman Taylor clarified that this was a Resolution. Attorney Nelson responded that it was a Resolution and an Ordinance; that the problem is taking a week or two weeks and turning it down and us being out there with nothing.

The representative from Blue Cross stated that a lot of work had been done to get the system in place, and it normally takes a month; that we could not wait until August 1st for a decision and be able to make the computer changes.

Councilman Franklin noted that as far as passing the proposal, we could pass it on first reading and second and third together; that we could extend the reading to allow us additional time; that we could allow an additional week by separating second and third readings.

Councilman Page stated that August 1st was upon us; that cards and enrollment would be a month's job. He made the motion that the Council accept the Plan as mentioned and compensate employees at a cost that would be covered in the new Budget. This was seconded by Councilwoman Robinson.

Councilman Franklin asked if this motion could be amended to separate second and third readings of the Ordinance.

Adm. Boney stated that the Resolution was the only thing that would affect the insurance; that the Ordinance is a separate issue on retirement.

Attorney Nelson stated that it would affect insurance to the extent we have to pay for this; that the Ordinance provides for retirees and will be important. Adm. Boney stated that he did not see it intended that way.

Councilman Pierce noted that there seemed to be confusion between Administration and the attorneys. If confusion existed here, he questioned how employees could understand this.

Councilman Benson spoke in favor of Councilman Page's motion. He stated that one week would not tell him about the total compensation; that two weeks would not tell him. He suggested to go ahead and move on this and set a committee to talk about trying to provide for the needs to help compensate for this.

Councilwoman Robinson stated that she thought what the Council had to do was to make sure that everyone in this room had insurance on August 1st; that we have to do this because of the lag time for cards and I.D. She suggested going ahead with the motion on the floor and approve this to make sure we have insurance on August 1st and spend the next few weeks talking about an increase for cost-of-living.

Councilman Taylor asked if all employees would be informed by the next pay period.; that the Council was told it would be in their checks and Administration did something different and to him that was a major problem.

Mike Compton stated that that was one method that was discussed. Councilman Taylor asked if this was the method used. Mr. Compton stated that they chose another way, which was E-Mail.

Councilman Taylor questioned if the Council was informed of this; that the Blue Cross representative was speaking of one week and that meant we were speaking of one week to do something that was promised would be done for employees; that Administration had not kept their word, and he was in favor of postponing this and doing some education.

The representative from Blue Cross emphasized that they needed to put the Plan in place as quickly as possible, noting that she was worried about the drug benefits as it normally takes a month to get a new Drug Plan set up; that this needed to be in place by August 1st.

Councilman Taylor pointed out that we were behind the clock now.

Mr. Compton stated that it was obvious to him from the comments that employees had made that it certainly indicated that they had some information about the Plan. Chairman Littlefield asked that he not get argumentative.

Chairman Littlefield stated that the Contract could be amended; that he would really not like to see us jeopardize the coverage. He stated that the Council had done a lot of listening; that he, too, was upset that employees had not received information in their paychecks; that he was very distressed over the fact that employees were not informed.

Councilwoman Robinson stated that the education process should start immediately since the information had not been put in the paychecks.

Councilman Taylor asked if Blue Cross would work with the employees in getting them educated. The representative present stated that she would be available for as many meetings as Tracy Clarke needed her for.

The motion as previously stated was met with Councilman Taylor and Councilman Pierce voting “No”. Councilman Page had made the motion and restated it—the Council would accept the Plan as presented and there would be an increase in compensation to cover the costs of the Benefits Package to employees. This was his recommendation.

Councilman Pierce stated that he was fearful of the benefit part of it—being able to compensate employees by the amount of the cost.

Councilman Benson stated that he did not want this to lock the Council in—that there would be an increase for all employees with a compensation package to pretty well cover this; that something needed to be done about lower paid employees so that they would have an equitable package. He emphasized that he did not want this to limit the Council.

Councilman Page added that the Council would have another “shot” at this during Budget time.

Councilman Hakeem stated that the Council seemed to want to approve the Plan today, and it seemed to be the general consensus among them to have this further discussed in the Budget process in regards to compensation; that the general feeling and interest seemed to be to pass the Plan.

Councilman Page amended his motion, and it was seconded by Councilwoman Robinson, with Councilmen Franklin and Taylor voting “No”, and Councilman Pierce “abstaining”.

Chairman Littlefield asked for a motion on the Ordinance on tonight’s agenda for first reading. **Councilman Lively moved that this be recommended to the full Council for first reading, and this was seconded by Councilman Benson. Councilman Pierce stated that he was not familiar with the Ordinance, and he “abstained”.**

Ms. Kelley explained that Section 2-175 would be repealed in its entirety and a new Section 2-175 would be substituted in regards to medical benefits after retirement; that the amount of premium paid would change after January 2, 2002. She also pointed out that Section 2-175 (e) reads that after January 2, 2002, the foregoing provisions for health care costs for any person(s) may be amended or repealed so as to affect rates.

Chairman Littlefield stated that this Ordinance would be on the agenda for first reading tonight as time is of essence. Attorney Nelson agreed. **On motion of Councilman Benson, seconded by Councilman Lively, this will be placed on tonight’s agenda.**

The meeting adjourned at 6:30 P.M.