



**Pacific Gas and
Electric Company™**

REVIEW COMMITTEE



IBEW

PACIFIC GAS AND ELECTRIC COMPANY
2850 SHADELANDS DRIVE, SUITE 100
WALNUT CREEK, CALIFORNIA 94598
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RECEIVED
JULY 8, 1999
CASE CLOSED
FILED & LOGGED

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W.
P.O. BOX 4790
WALNUT CREEK, CALIFORNIA 94596
(510) 933-6060
PERRY ZIMMERMAN, SECRETARY

MARGARET A. SHORT, CHAIRMAN

- DECISION
- LETTER DECISION
- PRE-REVIEW REFERRAL

De Anza Division Grievance No. DEA-98-10
Fact Finding No. 6798-98-173
Pre-Review Committee No. 2197

KAREN SANTAELLA
Company Members
Local Investigating Committee

KATHY MAAS
Union Member
Local Investigating Committee

Subject of the Grievance

This case concerns discipline and restitution resulting from the carrying of an ineligible dependent on company benefit plans.

Facts of the Case

The grievant was divorced in 1987. He stated he attempted to remove his ex-wife from his benefit plans in October 1990 during open enrollment and again during 1991. Each time he contacted the local HR Department. When he received his open enrollment packet in 1997, he saw that she was still on his plan. He called the Benefits Service Center during the open period, got a menu and hung up. He called again in December 1997. His ex-wife was dropped from the plans effective January 1, 1998, 10 years after no longer being eligible. Grievant also stated that during his marriage and following his divorce his wife always had her own benefits coverage and that she has not used his plan. Grievant stated he did not receive a confirmation that his ex had been dropped. The amount of restitution is \$6,367.80 for the two year period of 1996 and 1997. He signed an agreement to repay at \$200 per month. A Written Reminder dated June 6, 1998 was issued to the grievant. He was a member of Prudential.

Discussion

Union opined that the grievant should not be required to pay premium equivalents as there is no cost to the Company for carrying an ineligible dependent on the Prudential Plan unless there were claims paid. As Prudential is a self-funded plan, the only cost to

the Company is for claims paid. The grievant stated there were no claims made by his former spouse.

At the PRC meeting, a representative from the Benefits Department explained why the Company charges premium equivalents in these situations. It is not true that Company pays nothing for employees covered by Prudential unless there is a claim. For members of Prudential, the Company pays an administrative fee for each employee. It is a flat amount based on whether the employee is in the Point of Service, Preferred Provider, or out-of-network Prudential Plan. The flat amount is for the employee and whoever else he covers. The amount is not more or less depending on how many people are covered. This flat amount is a component of the premium equivalents.

In addition, the Company makes two kinds of claims payments to Prudential. The first are payments to the medical providers. These are capitated payments that cover certain services and are made whether services are provided or not. Capitation is like an insurance plan and is a prepayment to medical groups or doctors for services whether or not any are provided. This amount varies based on the number of people covered, the types of services which may be provided, and several other variables.

The second type of claims payment is a fee for services rendered. These payments are for services provided that fall outside the capitation agreement. Under a 1995 California law, Company cannot get information about these claims without the express written consent of the person for whom service was provided.

The premium equivalents are actuarial predictions of the cost of providing coverage to the average individual or family covered under a self-funded plan. The premium equivalents are comprised of the flat per employee payment; the capitated payment, and a claims component based on the prior year's claims experience and predicted health care trend and changes in demographics.

Under the Union's position, that Company should only be able to recover what it actually paid for claims, assuming Company could get the information, employees might be liable for huge amounts. If for example an ineligible dependent had major surgery, the amount of the claim could be many thousands of dollars. Premium equivalents spread the cost over all covered members.

Further, Company noted that premium equivalents have been charged since 1993 when the Company converted from Blue Cross to Prudential. They are charged not only in these situations, but for probationary employees not yet eligible for Company paid coverage; for part-time employees with cost-sharing obligations; for imputed income for domestic partners, and for employees on personal leaves of absence. Premium equivalents are comparable to the change for COBRA coverage less 2%.

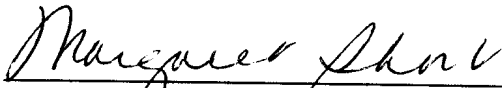
There have been many other employees disciplined and billed premium equivalents since 1993.

DECISION

The PRC agrees that the discipline was for just and sufficient cause as the grievant did not take action to drop his ex-spouse within 31 days of losing eligibility for coverage.

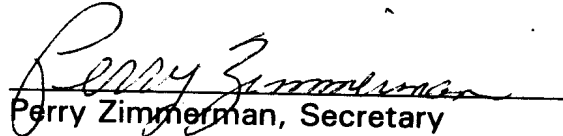
With respect to restitution, the PRC agrees that premium equivalents are an appropriate charge. However, the parties also recognize that in most of these situations, employees are not intending to defraud the Company and that as the amount of premium equivalents continue to escalate, a great burden may be placed on the employee. In an effort to close this case and others currently open at lower steps in the grievance procedure and to have a policy that incents employees to take appropriate timely action to drop ineligible dependents, the parties agree that employees will be required to make restitution of up to two years' premium equivalents but not to exceed \$7500. From time to time the parties may need to revisit this amount as the Company's costs continue to rise.

This case is closed on the basis of the foregoing.



Margaret A. Short, Chairman
Review Committee

7/6/99
Date



Perry Zimmerman, Secretary
Review Committee

7/6/99
Date