



REOPENER UPDATE

Kaiser Permanente and Coalition Unions reach new, two-year tentative agreement

September 12, 2008 – Kaiser Permanente and the Coalition of Kaiser Permanente Unions have reached a tentative agreement on the 2008 National Agreement Reopener, with new provisions for across-the-board wage increases and retiree medical benefits.

The tentative agreement, reached at 4:03 Friday morning, provides 8 percent increases over two years for Coalition Union employees in KP's California, Colorado and Northwest regions. Ohio, Georgia and Mid-Atlantic employees will get 7 percent increases over two years. Employees in Georgia and Mid-Atlantic, and in Colorado's SEIU Local 105, will also get improved retiree medical benefits—the first time KP's Georgia employees have had such a plan.

In addition, for the first time ever at Kaiser Permanente, the tentative agreement establishes Health Reimbursement Accounts, an innovative supplemental plan to assist with employees' post-retirement medical expenses. Employees' HRA accounts will be funded by employees' banked sick leave, creating multiple 'wins.' It improves employees' retirement benefits and rewards employees with good attendance. It protects employees' welfare by encouraging banking sick leave, thereby ensuring sick leave is there if needed. A final goal is to improve attendance, thereby improving patient care, service, and affordability.

"This was challenging but important work. We are very committed to our partnership and are pleased to have agreed on a package in the best interests of all parties and our members," said Mary Ann Thode, senior vice president, Labor Management Partnership.

"We kept focused on our work and what we wanted to accomplish," added Martin Gilbert, MD, associate executive director of operations strategy, Permanente Federation.

"The Partnership is the deal," said John August, executive director of the Union Coalition. "We are committed to transforming Kaiser Permanente, continuing to achieve the best conditions of employment for health care workers in the nation, and providing the best quality and service to our Kaiser Permanente members."

The Union Common Issues Committee recommended the tentative agreement to the Union Delegates Conference meeting in Oakland on Saturday, September 13. Local union leaders stressed the importance of launching a sustained, union-led campaign to transform Kaiser Permanente by creating high-performing Unit-Based Teams in every KP department by summer of 2010.

(OVER)



Reopener Agreement HIGHLIGHTS

Across the Board Wage Increases

In California, Colorado and Northwest regions:	In Ohio, Georgia and Mid-Atlantic regions:
3%*, effective 10/1/08	3%*, effective 10/1/08
3%*, effective 10/1/09	3%*, effective 10/1/09
2%, effective 4/1/10	1%, effective 4/1/10

(* 4% for RNs)

Retiree Medical Benefits

The tentative agreement introduces a retiree medical benefit program for the first time in the Georgia region and enhances the current Retiree Medical Benefit program in the Mid-Atlantic and Colorado regions.

Retiree medical benefits in other regions, and for UFCW Local 7 in Colorado, remain unchanged.

Health Reimbursement Accounts

In addition to the Retiree Medical Benefit enhancements, the tentative agreement offers all Union Coalition-represented employees who retire in 2010 or later, an innovative Health Reimbursement Account. HRAs, never before available to KP employees, provide money from the employer to reimburse retirees and their dependents for qualified medical expenses, such as premiums co-pays and prescription drugs.

The proposed HRA is innovative in other ways as well. It would enhance and complement KP's attendance benefit by providing greater cash value for employees' banked sick leave. Currently, banked sick leave is converted to vacation pay and cashed out at 50% of value when employees retire. The new benefit would convert unused sick days at 80% of value, tax-free, to the retiree's HRA—providing an effective rate of 100% or more of the value of the banked sick days.

Joint Committee on Growth

The tentative agreement establishes a senior leadership group to help shape KP strategy on membership growth, product development and public policy. The group will include George Halvorson, chairman and CEO of Kaiser Foundation Health Plan and Hospitals; Jack Cochran, MD, executive director of the Permanente Federation; and John August, executive director of the Union Coalition. The group will jointly craft a charter within 30 days of ratification.

Performance Sharing Program (PSP)

A design team was formed to study ways to improve the effectiveness of PSP through clear "line-of-sight" goals that frontline employees can directly impact in order to receive the annual performance sharing payout. Demonstration projects in 2009 and 2010 will contain programs with improved line-of-sight, and the team will continue to meet and examine the feasibility of system-wide and local improvements for consideration in 2010 bargaining.

Background to Bargaining 2008

Under terms of the 2005 National Agreement, Kaiser Permanente and the Union Coalition met this summer to reexamine two issues in light of changing business and economic conditions—across-the-board wage adjustments and retiree health benefits.

A Common Issues Committee of 44 KP and Union Coalition leaders used the same interest-based partnership approach that governed the 2005 negotiations. The process allows each side to identify their respective interests, then identify the shared interests that became the basis of the agreement.

Here are the union interests:

- All members are fully informed and engaged in developing the strategy for 2008 and beyond
- A consistent employment experience for coalition members
 - Move toward equity across regions in wages and retiree health benefits
 - Secure retiree health benefits
 - Meet the expectations of coalition members
 - Industry-leading wages, benefits and working conditions
 - Full implementation of the 2005 National Agreement
 - Restore lost retiree health benefits
 - Address cost of living increases
- A strong and united coalition
- Preserve and strengthen the Partnership
- Be in strongest possible position in 2010
- Strengthen the competitive position of KP Maximizing employee engagement and empowerment
- Make performance a union issue