



2008 Common Issues Committee

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

Kaiser Permanente and the Coalition of Kaiser Permanente Unions have reached a tentative agreement on the 2008 Reopener of their 2005 National Agreement, with new provisions for across-the-board wage increases and retiree medical benefits.

The tentative agreement, reached at 4:03 a.m. Friday September 12, provides a series of wage increases for all Union Coalition-represented employees, to take effect between October 2008 and October 2010. Employees in the Georgia and Mid-Atlantic regions, 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, the tentative agreement establishes Health Reimbursement Accounts (HRAs), 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 the banking of sick leave, thereby ensuring sick leave is there if needed. A final goal is to improve attendance, thereby improving patient access, service, and affordability.

The tentative agreement was guided by the shared interests identified at the bargaining kick-off session in July (see following "Background to Bargaining").

"This was challenging and 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, The Permanente Federation.

John August, executive director of the Union Coalition, said, "The principled work and commitment of our management and physician partners is extraordinary. We look forward to working together to increase the performance and productivity of Kaiser Permanente and to continue to serve our patients, members, and communities."

Reopener Agreement Highlights

Across-the-Board Wage Increases

In California, Colorado and Northwest regions:

3 percent*, effective 10/1/08

3 percent*, effective 10/1/09

2 percent, effective 4/1/10

In Ohio, Georgia and Mid-Atlantic regions:

3 percent*, effective 10/1/08

3 percent*, effective 10/1/09

1 percent, effective 4/1/10

(* 4 percent for RNs in all regions)

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.

The basic 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 (HRA). HRAs provide money 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.



continued from front

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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; John 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 Improvement

All sides agreed that organizational performance is everyone's responsibility and that KP's current Performance Sharing Program (PSP) should be refined to have greater impact. A joint Bargaining Subgroup on Performance, established in August, submitted three recommendations designed to provide better "line of sight" (to engage frontline employees in larger performance-improvement goals that they can directly affect) and to delegate responsibility and rewards to the lowest possible level of the organization. The summary recommendations are to:

- Establish a national PSP design team to recommend by 2010 fundamental changes to the PSP and provide support and review of regional PSPs.
- Require each region to evaluate its PSP prior to goal setting in 2009 and 2010.

- Require each region to implement a demonstration project for 2009 and 2010 to assess the feasibility of new approaches to performance sharing, based on improved "line of sight," jointly established metrics, shared best practices, and greater sense of urgency for change.

These recommendations were accepted as part of the tentative agreement.

Background to Bargaining 2008

Under terms of the 2005 National Agreement, Kaiser Permanente and the Coalition of Kaiser Permanente Unions 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 worked hard on those issues, using the same interest-based partnership approach that governed the 2005 negotiations. The interest-based process allows each side to identify their respective needs and interests, then identify the shared interests that became the basis of the agreement.

At the July kick-off session, union and management leaders identified the shared interests that would guide their discussions. Shared interests identified by the group included:

- Strengthening KP's competitive position.
- Strengthening the Labor Management Partnership.
- Attracting and retaining a high-performing workforce.
- Recognizing that organizational performance is an issue and is everyone's responsibility.
- Ensuring membership growth.

How Bargaining Worked

As in 2005, the reopener bargaining process was well structured, transparent and conducted in the shared interests of all parties and of our health plan members. A Common Issues Committee of labor, management, and physician leaders conducted negotiations in three multi-day sessions in July, August, and September.

The tentative agreement received a unanimous endorsement at the Union Delegate Conference September 13, and will be voted on by local unions in the next two weeks. Approval by the Kaiser Permanente Partnership Group is scheduled for September 17. The tentative agreement would take effect October 1, 2008 and run through the remaining two years of the original National Agreement, which expires September 30, 2010.