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INTRODUCTION

Through our Labor Management Partnership, we are making Kaiser Permanente the best place to work and the best place to receive care. Our 2005 National Agreement is an important new ingredient in this winning formula. This booklet explains the key provisions of the Agreement, and how they affect you. For more information, including the full text of the Agreement, please visit the LMP website at www.lmpartnership.org.

The National Agreement extends far beyond the provisions of a traditional union contract. It is a testament to the commitment of Kaiser Permanente and the Coalition of Kaiser Permanente Unions. It is a commitment to stellar performance and to the people who make Kaiser Permanente the best place to work and to receive health care. In addition to wages and benefits, the new Agreement addresses such issues as service quality, workforce development and attendance—topics rarely negotiated in traditional bargaining. Since we began working in Partnership in 1997, managers and union members have worked together to achieve better nurse staffing ratios, groundbreaking needlestick safety laws, shorter appointment wait times, better service, higher patient and employee satisfaction, a lower cost structure, a safer workplace, and a sharp drop in the number of costly grievances.

The 2005 National Agreement continues to build our organizational performance and ensure KP's long-term stability and viability. Improved wages and benefits will attract the best staff and reduce costly turnover. Investments in workforce planning and development will create systems to identify critical current and future needs. As a result, workforce development funding will be used to enhance workers' skills to meet these needs and sustain long-term careers. The commitment from both workers and managers to reduce absenteeism, boost quality, redesign work, and increase staffing flexibility also will pay dividends.

The Agreement is a culmination of an extraordinary interest-based bargaining process that involved more than 400 workers, physicians, and managers meeting in bargaining task groups over several months to make recommendations on a wide range of topics. It was the largest, most complex labor negotiation in U.S. history. The five-year agreement went into effect Oct. 1, 2005. It governs wages, benefits, and working conditions for 86,000 members of the Union Coalition, and directly affects the work of tens of thousands of physicians and managers.

Bringing the National Agreement alive is a top priority. The Common Issues Action Team, a group of top KP and union leaders, is accountable for contract implementation. These leaders have been asked to report directly to the Board of Directors of the Kaiser Foundation Health Plan/Hospitals quarterly on implementation progress.

Here is a summary of the 2005 National Agreement:

WORKFORCE DEVELOPMENT

Recognizing that the hard work, dedication, and skills of employees help create KP's success and deliver the best care to health plan members, the National Agreement makes a significant new investment in joint training funds for workforce development. This investment is designed to enhance workforce skills, meet organizational needs, and sustain long-term careers—all while improving productivity and reducing employee turnover.

Kaiser Permanente will fund two Taft-Hartley trusts—the multiemployer trust for SEIU unions and another for all other Coalition unions—with a minimum 1 percent of total Coalition payroll in the first year.

National and regional workforce development teams jointly will coordinate the extensive workforce development program across the regions to ensure consistency and the effective use of resources. The national team will perform such duties as forecasting and analyzing workforce change so development efforts coincide with shifts in workplace needs, and supporting the sharing of successful practices. The regional team will create and maintain a program that meets the National Agreement goals. They will work with the national team to assess needs, create policies to support workforce development and coordinate the delivery of consistent programs so barriers to job placement and training opportunities are eliminated.

The goal is to create a culture that values and invests in lifelong learning and enhanced career opportunities, while relying upon the employment and income security agreement. The four key components of this program are workforce planning, career development, education and training, and retention and recruitment.

Workforce planning Workforce planning is the first step in a process that fosters a culture of learning and opportunity. It will help us determine our current workforce skill levels, and align those with future workforce needs through career development, education and training, and retention and recruitment. The National Agreement explicitly commits Kaiser Permanente to fill vacancies with internal promotions to support that process. The parties agree to a joint review of policies, practices, and contract language, and to develop policies that support internal promotions, such as redeployment processes, career counseling, and incentives for managers to promote from within.

Career development Each national and regional function will offer career counseling featuring skills and interest assessments, and creation of individual development paths.

Education and training The goal of the National Agreement is to offer a comprehensive, jointly administered, integrated approach to education and training. Regional and national teams not only will assess access to tuition reimbursement

opportunities and education leave, but will promote lifelong learning. Tuition reimbursement and education leave can be used to obtain or maintain licensure, degrees and certification, and to learn basic skills in computers, math, second languages, and medical terminology. In addition, the parties commit to jointly design and oversee new training programs that support the Labor Management Partnership and the development of high-performing, committed work teams. Besides basic skills, this may include program development for unit-based teams, training in attendance, service, business education, scope of practice, regulatory compliance, and other key business strategies, and union steward's training in leadership skills, problem solving, and unit-based teams.

Retention and recruitment The teams will develop an exit interview template to determine why employees leave Kaiser Permanente or transfer from a work unit to reduce turnover and implement solutions that support retention.

The program will focus on workforce planning, career development, retention and recruitment, and education and training at the national, regional, and local levels.

Management and the Union Coalition are working on a detailed plan to how to implement this extensive undertaking.

ATTENDANCE

During bargaining, both union and management negotiators jointly agreed that sick leave is a benefit, not an entitlement. Negotiators worked to identify root causes of excessive absenteeism and crafted a new sick leave benefit that aims to improve attendance while addressing quality care and employee well-being.

Managers, local union leaders, and stewards are committed to leading a culture change to improve how sick leave is used. They jointly designed a comprehensive program designed to identify root causes and address the issues that contribute to absenteeism. Economic incentives for appropriate use of sick leave also are built into the plan, and there is a process to help managers plan and budget for expected replacement.

An innovative attendance program will be rolled out in 2006 that provides leave for employees in three components: flexible personal days, annual sick leave, and banked sick leave.

Employees can bank unused sick leave or cash it out at 50 percent of face value—provided they keep a minimum of 10 days banked. Banked sick leave can be used once annual sick leave is exhausted, with medical verification of illness.

The agreement also includes a retirement conversion feature. Upon retirement, banked sick leave accrued prior to Jan. 1, 2006, will be recognized as credited service for pension purposes. Banked sick leave accrued after Dec. 31, 2005, will be

converted to vacation, paid out at 50 percent of value, and recognized as credited service for pension plan calculations.

This groundbreaking program was developed jointly from start to finish.

BACKFILL

To provide a work environment in which quality of care and employee satisfaction are protected, both parties will work together to ensure adequate backfill, also called planned replacement.

Starting in 2007, departments will evaluate and budget planned replacement for employees' time away from work for contractual leaves, LMP activities, training, etc. When possible, management and the unions will begin phasing in planned replacement in 2006.

This should reduce work unit conflicts significantly and benefit supervisors, employees, and, ultimately, health plan members.

FLEXIBILITY

To drive high performance at KP, both unions and management must be open to modifying traditional approaches. This means willingly exploring alternative ways to apply seniority and jurisdiction that are consistent with Partnership goals, business needs and union principles.

Coalition employees will be involved in work redesign from the beginning, and will have fair opportunities to retrain for redesigned jobs or to be redeployed into other jobs.

The effort to increase and enhance flexibility in work scheduling and work assignments is aimed at improving service, quality, and financial performance—all while meeting the interests of employees and unions. Unions and management are willing to

work in good faith to resolve jurisdictional issues to increase work team flexibility and performance.

CONTRACT SPECIALISTS

To free union stewards from their traditional role of representing employees in contract disputes, and empower them to fully assume their leadership role in Partnership, KP is creating the new position of contract specialist. These employer-paid specialists will help interpret and implement the National Agreement.

Creating these positions will help unions in the workplace strengthen the Partnership and build a strong corps of contract experts.

In each region, each international union will use the ratio of one contract specialist for every 1,500 members to determine the number of these new positions that needs to be created.

Normally, it is expected that contract specialists will serve a single, one-year, nonrenewable term. Management and unions will work together on deciding whether to keep current labor liaison positions, replace them with contract specialists, or a combination of the two. The final decision will be up to the unions.

SERVICE QUALITY

Kaiser Permanente and union leadership jointly commit to develop programs to improve the organization's already strong commitment to service quality that leads the health care industry, helps attract and retain members, and makes KP the best place to receive care.

These efforts will include integrating union representatives into the development and deployment of a service culture and credo and involving front-line staff in facility construction and redesign. All Kaiser Permanente job descriptions and performance evaluations will include a service quality component, and programs will be developed to recognize service excellence.

SHARING SUCCESSES

To spread successful initiatives throughout the organization, the National Agreement commits Kaiser Permanente to creating a Web-based system for sharing best practices. The system will include service quality, workplace safety, workforce development, cost structure reduction, scope of practice, and performance-based pay. Sharing successful practices is expected not only to create opportunities to improve costs but also to improve the quality of care for health plan members.

AGREEMENT RE-OPENER

During year three, there is an agreement re-opener, with negotiations limited to across-the-board wages and retiree medical benefits.



SUBCONTRACTING

The new National Agreement includes commitments to make joint decisions about the need to subcontract bargaining unit work. The parties will conduct feasibility studies and come to a joint decision about the work. In addition, an “in-sourcing” provision provides opportunities to bring bargaining unit work back into Kaiser Permanente. This provides greater opportunities for employees, assists retention of the best health care workers, and boosts competitiveness in markets faced with shortages of trained health care workers. This provision also supports the fundamental relationship of the Partnership, building and solidifying KP’s commitment to its workforce, which ultimately benefits health plan members, purchasers, and our communities.

SCOPE OF PRACTICE

The new National Agreement promotes understanding of scope of practice issues, not only to comply with laws and regulations but also to help all employees advance personally and professionally. In Partnership, the agreement commits management and the unions to developing education and training programs. Union representatives will be full partners in national, regional, and local scope of practice decision-making structures. The agreement commits all parties to using an expedited issue resolution process to address issues on which the parties cannot reach a joint decision.

UNIT-BASED TEAMS

Unit-based teams containing all participants within a work unit are the basis of high-performance workplaces because they support employee engagement. The National Agreement commits the parties to establish unit-based teams that plan and design work processes, set goals and establish metrics, evaluate performance, budget, staff and schedule, and identify and resolve problems. The agreement, which redefines roles for stewards and supervisors in supporting the development of high-performance workplaces, anticipates full deployment of unit-based teams as the operating model for Kaiser Permanente by 2010. This provision demonstrates the commitment to develop and invest in people, with a special emphasis on managers, supervisors, and union stewards, building the organization’s capacity and capability and providing opportunities to improve efficiency and productivity.

PERFORMANCE IMPROVEMENT

Sharing successes, providing superior service, developing the workforce for the future and solving attendance problems are essential to improving performance. Taken together, many provisions of the National Agreement provide pathways to improving performance. Key provisions aimed at performance improvement include the new attendance benefit, workforce development, backfill, and scope of practice. The National

Agreement will help cement KP’s advantage as the leading health care organization nationally and achieve the goal of being the best place to work and receive health care.

WAGES AND BENEFITS

Recognizing the value of KP employees and the competitive market for health care workers, the National Agreement provides across-the-board wage increases through 2010 and opportunities for bonuses. There are special wage adjustments for hard-to-fill positions. The agreement narrows wage and benefit differences among workers, more closely aligning Northern and Southern California and eliminating the geographic two-tier set-up in Northern California. To encourage innovation and top performance, the National Agreement continues performance sharing at 3 percent each year contingent on reaching jointly set targets.

The Agreement enhances several elements of existing benefits and creates new programs.

Starting July 1, 2006, Kaiser Permanente will fund a defined-contribution retirement savings plan for members of coalition unions. The amount will depend on regional performance. At a time when some other large companies are eliminating pensions, creating this new benefit is an important step.

To help employees address such health issues as diabetes, obesity, chronic pain, and smoking addiction, beginning in 2006, workers will have access to a Kaiser Permanente care management program.

KP management and the Union Coalition jointly will design and implement a flexible benefits plan that will launch in 2007. They also jointly will identify a consistent way to celebrate Dr. Martin Luther King Jr.’s birthday across KP starting in 2007. Both items are dependent on each other. In other words, one will not happen without the other.

Overall, wages and benefits will increase an average of 4.5 percent per year for five years. That is in line with the national average of 4.2 percent per year for hospital workers, according to the U.S. Bureau of Labor Statistics.



ACROSS-THE-BOARD WAGE INCREASES

The following tables include the across-the-board wage increases (ATBs); RN wage differentials; performance sharing bonus opportunities (3 percent for each of the five

years of the agreement); Partnership bonuses and other regional parity adjustments; special adjustments for hard-to-fill positions; and progression adjustments to close the Northern/Southern California wage gap.

	Region or Area	Year				
		1	2	3	4	5
Across-the-Board Increases	NCAL, SCAL, CO, NW	5%	4%	4%	3%	3%
	OHIO, MAS, TX	4%	3%	3%	3%	3%
	GA	i	3%	3%	3%	3%
RN Differentials ii	CO, OHIO, MAS,	1%	1%	1%	1%	1%
	GA	iii	1%	1%	1%	1%
	NW	iv	1%	1%	1%	1%
	SCAL	1% ^v	1% ^v	1%	1%	1%
Self-Funded Performance Sharing Program (PSP)	All Partnership Regions	3%	3%	3%	3%	3%

Job Classification Adjustments

Imaging (Technical Classifications)	NCAL, SCAL, OHIO, GA, NW	Referred to local tables for joint resolution
Clinical Lab Scientists	NCAL, SCAL	
Coders	NCAL, CO	
Pharmacists	CO	
Respiratory Care Practitioners	NCAL, SCAL, NW	

Special Parity Adjustments—ROC Regions

NW—MSW/MH	Close gap in year 1
MAS—UFCW Local 400—Baltimore/DC	Close gap on 10/1/2006

Special Parity Adjustments to Close Geographic Two-Tier — NCAL

UHW—Geographic Two-Tier System	To be addressed within three years in 25 percent increments on 1/06, 1/07, 1/08, and 7/08
SEIU Local 535 MH/SW—Geographic Two-Tier System	
IFPTE Local 20—Geographic Two-Tier System	
SEIU Local 535—Pension Service Credit	By 9/30/08, or earlier if mutually agreed
IFPTE Local 20—Pension Service Credit	By 9/30/08, or earlier if mutually agreed

Special Parity/Progression Adjustments to Close North/ South Gap—SCAL

Employees represented by OPEIU Local 30, IBT Local 166, USWA Local 7600, SEIU Local 535 (except AFN), SEIU UHW, and all UFCW locals in SCAL will receive a 4.23 percent, across-the-board increase in year 3, in addition to the scheduled ATB	To be implemented mid-year in year 3, as agreed by the parties
SEIU Local 535—psychiatric social workers in San Diego will receive an adjustment to close the geographic gap in wage rates between San Diego and Los Angeles service areas	To be addressed in year 3

i Georgia implemented ATB increases in May 2005. Accordingly, the year 1 ATB increase in Georgia will be 2 percent on 10/01/01 and 1 percent on 5/01/06.

ii The term "RN" means such RN positions as inpatient and outpatient RN (including psychiatric RN), RNP, PA, CRNA, nurse midwife, clinical nurse specialist or like positions, jointly agreed to, that are unique to the region.

iii Georgia implemented ATB increases in May 2005. Accordingly, the year 1 RN differential in Georgia will be .5 percent on 10/01/05 and .5 percent on 5/01/06.

iv Northwest RNs: Inpatient night shift differential will be \$5.00, inpatient

evening shift differential will be \$2.50. Outpatient RN wages will be at parity with inpatient. For RN, NP, PA, and CNM, extra steps will be established in the scale at 16 and 20 years at 3 percent intervals, effective 10/01/05.

v In years 1 and 2, pursuant to a schedule agreed upon at the national table by SCAL union and management leaders, the general ATBs of 5 percent and 4 percent, plus the value of the RN differential, in addition to a total of \$27.5 million, will be used to revise the steps and wages within the step structure for both UNAC and SEIU Local 535/AFN Registered Nurses. In year 1, an additional \$2.5 million will be used to increase UNAC differentials.



The Coalition of Kaiser Permanente
Unions and Kaiser Permanente
www.lmpartnership.org



This is a summary of the 2005 National Agreement.
Related documents, including a full-text, 8 1/2 x 11 PDF
of the National Agreement, are available for download at
www.lmpartnership.org. Additional copies of the National
Agreement and summary documents can be ordered on the
web by visiting www.lmpartnership.org, and clicking on
our e-store or by phone AT 1-888-LMP-AT-KP.