

Leading Change Together: Kaiser Permanente's Partnership Strategy for Innovation

JIM PRUITT

The Permanente Federation

PAUL M. COHEN

Kaiser Permanente

INTRODUCTION

In 2008, Joann Horton, a medical clerk at a Kaiser Permanente medical center in Northern California, learned her job might be eliminated when an electronic medical record system came online. At the time, she said, “I was terrified.”

A year later, Joyce Lee, an imaging transcriptionist at a Kaiser Permanente medical center in Southern California, found herself in the same boat. With the organization shifting to a new voice-to-text technology for transcribing radiology results, her future was uncertain.

But unlike many other American workers whose jobs in recent years have been eliminated, Horton, Lee, and thousands of other Kaiser Permanente workers—75% of whom are union represented—landed safely. Today, Lee is working as a Kaiser Permanente phlebotomist, a job she says she always wanted. Horton retired in 2014, after retraining as a secretary in her facility's Home Health Department.

Along the way, Kaiser Permanente's electronic medical record system—the largest civilian system in the world—changed the way workers, managers, and physicians do their jobs. Many, like Horton and Lee, saw their old jobs go away. But all were protected by an employment and income security agreement, and they received career counseling and retraining. As a result, workers and their unions not only accepted the new system but helped design it, test it, and train co-workers to use it. Everyone who wanted to stay at Kaiser Permanente ended up with a comparable or better position. (For more information, see the appendix, *Preparing for the Work of the Future*.)

The positive outcomes were possible thanks to Kaiser Permanente's Labor Management Partnership, the largest, longest running, and most comprehensive labor partnership in the country. It is a forward-looking,

joint strategy to answer questions that have bedeviled the entire health care industry. This strategy focuses on how to

- Innovate in a time of change
- Reduce the cost of care while improving quality
- Spread successful practices across the organization
- Engage a diverse workforce in continuous improvement
- Resolve labor relations and operational issues without destroying work relationships

By bringing together diverse points of view and providing a framework for joint problem solving, the Labor Management Partnership has helped Kaiser Permanente tackle these and other difficult issues. We believe such partnerships can be a model for other health care organizations and workers as the industry prepares for a new wave of disruptive change, including telemedicine, storefront drop-in clinics, growing consumer choice, and health care reform.

In this chapter, we examine how and why the partnership formed, what it has achieved, and how it has sustained success. We begin with the historical context for formation of the Labor Management Partnership. We then summarize the performance outcomes achieved in partnership. That's followed by a discussion of four key success factors that have enabled Kaiser Permanente—and its partnership unions—to adapt and grow. We conclude with the perspective of an outside observer and an overview of a joint initiative to prepare today's workforce for a new wave of change.

WHY PARTNERSHIP?

Kaiser Permanente's Labor Management Partnership achieved its vast scope and scale in part as a result of both parties' history. To know what makes the partnership tick, it's useful to start with the organization's social and economic roots, the rise of a diverse union coalition, and a shared willingness to negotiate sweeping labor agreements.

Social and Economic Roots

Kaiser Permanente's model of care and coverage grew from the efforts of industrialist Henry J. Kaiser and public health innovator Dr. Sidney Garfield during the Great Depression and World War II to provide medical care to Kaiser's industrial workers and their families. After the war, Kaiser Permanente opened to the public, offering comprehensive, prepaid care at its own facilities. With the support of organized labor, it grew to be the largest nonprofit health plan in the United States—staffed by more than 186,000 employees (139,000 represented by unions) and 18,000 physicians serving more than 10.6 million health plan members in eight states and the District of Columbia. Annual revenue exceeds \$63 billion.

The organization's early labor history laid a foundation for a partnership that has helped it maintain leadership in multiple measures of quality, service, and labor standards. The Labor Management Partnership started in 1997 as a handshake agreement between then-CEO David Lawrence and then-president of the AFL-CIO, John Sweeney. It was a gamble for both parties.

At the time, Kaiser Permanente faced serious financial and competitive pressures. The unions' early support for the organization had given way to acrimony and a series of bitter strikes. More than two dozen local unions formed a coalition to strengthen their hand in bargaining and mount a corporate campaign against Kaiser Permanente. But hoping to avoid a mutually destructive war, the parties chose another path.

They created a way to engage workers, managers, and physicians in issues affecting the quality and affordability of care, the patient experience, and the workplace experience. To implement change, the Labor Management Partnership provides, among other things:

- Jointly established criteria and targets for team performance
- A database to track team innovations and results
- Peer advisors who help teams improve work processes and solve problems

A Diverse Union Coalition

The partnership is jointly led and funded by Kaiser Permanente and the Coalition of Kaiser Permanente Unions, now comprising 28 local unions (Table 1, next page).

Six unions representing about 27,000 employees have chosen not to join the union coalition or participate in the partnership. The largest of these is the California Nurses Association, representing more than 18,000 registered nurses at Kaiser Permanente, mostly in Northern California. And Kaiser Permanente's experience with both partnership and nonpartnership unions provides a vivid picture of what is possible in traditional versus nontraditional labor relations.

Thomas Kochan, professor of management at the MIT Sloan School of Management, has studied the Labor Management Partnership from its early days. His 2013 report on the accomplishments and challenges of the partnership included this conclusion:

Kaiser Permanente is now one of the nation's leaders in the use of frontline teams to improve health care delivery. ... The Kaiser Permanente Labor Management Partnership continues to serve as the nation's largest and most successful labor management partnership. As such it demonstrates the potential value of this approach for ... labor relations in the 21st century and as a model for health care delivery and improvement. (Kochan 2013: 32)

TABLE 1
Members of the Coalition of Kaiser Permanente Unions (as of April 2016)

	Participating Locals	Members Represented
International Union		
American Federation of State, County and Municipal Employees	1	18,531
American Federation of Teachers	2	3,726
International Brotherhood of Teamsters	1	525
International Federation of Professional and Technical Engineers	1	1,379
International Longshoremen's and Warehousemen's Union	1	61
International Union of Operating Engineers	1	24
Kaiser Permanente Nurse Anesthetists Association	1	355
Office of Professional Employees International Union	4	12,247
Service Employees International Union	4	58,493
United Food and Commercial Workers	11	10,003
United Steel Workers	1	6,733
Total	28	112,077

Sweeping Labor Agreements

Through the partnership, Kaiser Permanente and the Coalition of Kaiser Permanente Unions have negotiated five national labor agreements. All of them have gone far beyond the scope of traditional union contracts. While providing industry-leading wages and benefits, the agreements also address service and quality improvement; workforce planning, training, and development; workforce health, safety, and wellness; joint efforts to grow the business and union membership; and enhancements to partnership practices.

Each agreement also has included at least one achievement that has had lasting impact on the organization, the workforce, and our health plan members and patients. Innovations coming out of past agreements include the following:

- 2005: Jointly led work teams established to drive front-line performance improvement
- 2008 (reopener): Shared strategy to grow health plan and union membership

- 2010: Uniform performance goals and metrics for teams across the organization
- 2012: Total Health Incentive Plan, a voluntary program that rewards employees for collective participation in confidential health screenings and improvements
- 2015: Joint assessment of future workforce needs and increased investment in workforce training and technology deployment

PERFORMANCE BENEFITS OF PARTNERSHIP

While the parties' shared history and ambitious agreements allowed the partnership to take root, the partnership's success is due to the performance benefits delivered to all involved—including Kaiser Permanente members and patients.

The Labor Management Partnership has contributed to industry-leading performance. For example, in J.D. Power's 2015 Member Health Plan Study, Kaiser Permanente was ranked highest in member satisfaction among commercial health plans in five regions of the United States. In addition, leading public and private agencies have given Kaiser Permanente top marks on a wide range of quality indicators.

Leaders inside and outside Kaiser Permanente have recognized our partnership strategy as a driver of organizational performance. In a White House Summit on Worker Voice in October 2015, President Obama said:

There are businesses out there who are taking the high road and enlist their employees as partners in their shared future, and understand that if they're investing in their employees and making them partners, that they'll actually do better, not worse. . . . Kaiser Permanente works with 28 different unions to provide good pay and benefits, but also educational programs, and avenues for employees to help improve quality and care throughout the company—which is why they're considered one of the premier health organizations in the country.

Link to Performance

Kaiser Permanente and the Coalition of Kaiser Permanente Unions track organizational as well as clinical outcomes, down to the front-line team level. Kaiser Permanente researchers have found important linkages between teams that report having an effective work environment and performance outcomes such as good attendance, lower injuries, and better service scores. For instance, in the 2015 survey of more than 144,000 Kaiser Permanente employees, departments that scored high on an index

of 18 measures of workforce effectiveness and engagement also reported the following:

- 4% higher patient satisfaction scores
- 21% fewer lost workdays
- 38% fewer workplace injuries
- 60% fewer patient falls with injuries

In addition, employees who report feeling highly involved in their partnership teams are far more likely to say they have influence in decisions affecting work and that their input is used. They are more comfortable voicing opinions and more likely to speak out when there are problems. They're also more likely to understand the mission of the organization and the goals of their department, and, in general, they have more favorable opinions about their work and the workplace.

Better Outcomes for Patients, Workers, and the Organization

By engaging rank-and-file workers, managers, and physicians, the partnership is slowly transforming the culture of the organization. It is doing so both through a top-down and a bottom-up, team-based approach. We're seeing results in improved cost structure, patient care, and service. Here are just a few examples:

- A neonatal intensive care unit in Downey, California, gave voice to parents who were concerned that they couldn't visit during shift changes, when nurses exchange information about the babies they are caring for. The team devised a system that allows parents to listen in on these exchanges, then discuss their child's care with the incoming nurse.
- An ambulatory surgery team in Gaithersburg, Maryland, ran a drill to test their response time to malignant hyperthermia—a rare but dangerous side effect of anesthesia. Not satisfied with their results, they expedited lab processes, redesigned supply carts, and devised checklists. The team cut its response time by two minutes, doubled its self-assessed level of expertise, and shared its new practices with other teams across the organization.
- A San Jose, California, in-patient pharmacy team worked with physicians to analyze prescription patterns and saved more than \$600,000 by increasing the use of cost-effective equivalents and reducing waste.
- Colorado-based couriers averted the outsourcing of their jobs by assessing their internal clients' needs and improving their own routes, workflows, and information systems. Their new processes also are saving \$375,000 a year.

- Redwood City, California, hospital discharge assistants developed a new protocol for scheduling follow-up appointments, dramatically increasing the number of post-discharge appointments kept by patients and reducing costly readmissions.

More broadly, both parties have grown stronger since forming the partnership. Kaiser Permanente's membership has grown to more than 10.6 million people, from about 7.4 million in 1997. At the same time, while unions nationally have lost members and clout, union coalition membership has nearly doubled, from 57,000 to more than 112,000, with steady annual wage growth of 2% to 3% and preservation of health and retirement benefits.

KEY SUCCESS FACTORS

The Labor Management Partnership formed because conditions demanded change. It has endured because it has achieved measurable results. And it continues to flex and grow because we follow a few key principles and practices. These include self-directed work teams, interest-based problem solving and honest conversations, a shared guidepost for action, and a willingness to respond to challenges and skeptics.

Self-Directed Work Teams

Many large organizations seek to tap the ingenuity of front-line workers and managers, enable continuous improvement, and build a culture of learning and accountability. Increasingly, and especially in health care, this happens through high-performing teams, not individual performers.

Amy Edmondson, professor of leadership and management at Harvard Business School, has studied team learning and innovation at many organizations, including Kaiser Permanente. She has observed that in knowledge organizations such as hospitals, employees have to feel safe “to give tough feedback and have difficult conversations—which demand trust and respect—without the need to tiptoe around the truth.” In such settings, she has noted:

Performance is increasingly determined by factors that can't be overseen: intelligent experimentation, ingenuity, interpersonal skills, resilience in the face of adversity. . . . People rely on their own and their colleagues' judgment and expertise, rather than on management direction, to decide what to do. (Edmondson 2008: 62–63)

The Labor Management Partnership has provided a home for this way of working. The concept of self-directed work teams as a means to accomplish organizational goals was put forward in 2000, in our first

national negotiations; the emergence of what we call unit-based teams under the 2005 National Agreement established them as the formal operating strategy for the organization and unions. Today there are about 3,500 such teams in place across the organization, in virtually every work setting.

Interest-Based Solutions and Honest Conversations

Kaiser Permanente and the union coalition are leading practitioners of interest-based bargaining. The interest-based approach—which we also use for day-to-day problem solving—has guided the successful negotiation of all our national agreements. The interest-based process consists of

- Defining the issue that needs to be resolved
- Having each party identify its underlying interests and concerns
- Jointly developing issues that address each party's interests
- Selecting solutions, through consensus, that address all parties' interests

Our bargaining involves people from all levels, specialties, and regions of the organization. In 2015, there were 150 workers, managers, and physicians on bargaining teams. In addition, about 300 workers and 50 managers served as observers in all bargaining sessions and caucuses. They bargained in a compressed time frame that encouraged quicker resolution of issues than is typical in bargaining large-scale agreements. In 2015, we agreed on a complex, far-reaching contract over the course of four 3-day sessions.

The process brings broader perspective, more novel ideas to the table, and more support for the agreement afterward. Interest-based bargaining also is a powerful learning experience for emerging leaders—some of whom have had little previous exposure to contract bargaining and most of whom gain insights and relationships that last for years.

“We have frontline workers with management, and the presidents of [Kaiser Permanente] regions all sitting at the table together talking,” said Maureen Meehan-Golonka, president of the Hawaii Nurses Association. “It’s not something that happens every day.”

“What stands out for me is the honest conversations we have,” said Jerry Vincent, director of labor relations, Northern California, about interest-based bargaining. “Everyone is comfortable expressing themselves and offering their own point of view. It’s very different from traditional labor negotiations.”

A Shared Guidepost

Unit-based teams are guided in their work by the Kaiser Permanente Value Compass—a tool adopted jointly by our partner unions and Kaiser Permanente and included in the 2010 national agreement.

Teams use the Value Compass (Figure 1) to identify and develop performance improvement projects that address one or more points of the compass. They are supported in their work by peer advisors as well as more senior union and management sponsors. Because teams are an important part of operations, we closely monitor their progress and rate the performance of every team, quarterly, on a five-point scale. The measurements typically have to do with such standards as whether teams meet regularly; have a sponsor; and are trained in problem-solving techniques, data analysis, business literacy, and other skills.

This tracking includes the types of improvement projects launched by each of our 3,500 front-line teams, their alignment with the organization's clinical and business goals, and their use of advanced tools in specific areas, such as waste and cost reduction.

Answering Challenges and Skeptics

As noted previously, honestly addressing difficult issues is essential to sustaining a successful partnership. And the partnership does face challenges. Leaders from both sides have deep experience in traditional labor-management settings and can attest that partnership is more demanding—personally and institutionally. For example, collective bargaining and decision-making processes can be slower and more taxing because more people are involved and more interests may need to be considered.

FIGURE 1
Kaiser Permanente Value Compass



In addition, the union coalition faces opposition from those in the labor movement who reject partnership per se as a union strategy. Moreover, adherence to and accountability for partnership practices vary. For instance, some physicians are more visibly involved in partnership activities than others. And even in our most successful units, there are skeptics on both sides who remain uninvolved.

However, research suggests that managers, especially front-line supervisors and middle managers, have good reason to work in partnership. Studies by Kaiser Permanente Organizational Research have connected levels of team engagement with quality, service, safety, and attendance results, as discussed previously. Simply put, where the work environment is perceived to be better, patients give higher overall ratings to their hospital, and workers have a safer, more productive work experience.

Additional research has identified four building blocks of performance at Kaiser Permanente (Figure 2). They are largely behavioral—and highly dependent on the environment established by the manager within the team or work unit.

Beyond the workplace dynamics at the unit level, performance is determined by interdependent relationships with other departments and physicians, organizational systems and support, and foundational principles such as trust and accountability.

All four performance drivers are influenced by communication across and within departments—and all can be strengthened by applying partnership practices, says Deborah Konitsney, director of Organizational Research, Kaiser Permanente.

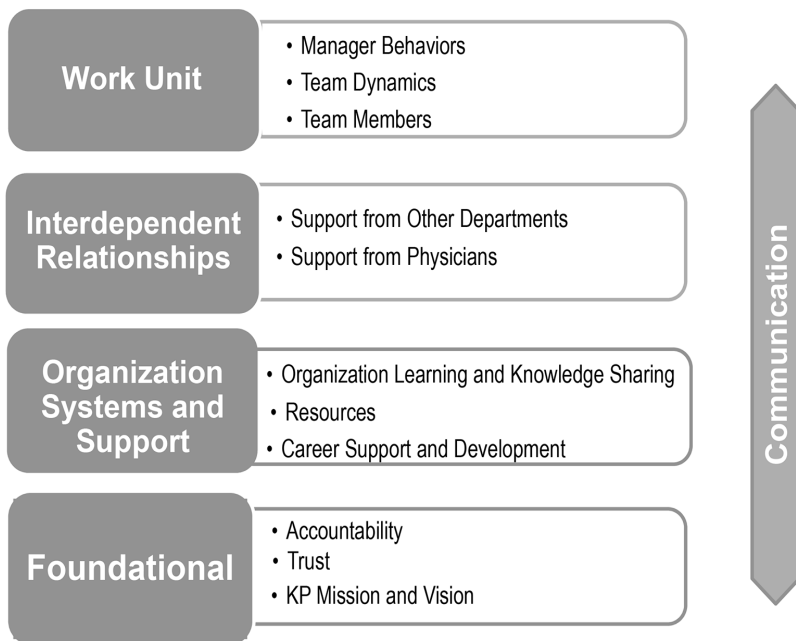
CONCLUSION

In 2004, Jeffrey Pfeffer, author and professor of organizational behavior at Stanford Graduate School of Business, offered this assessment of the Labor Management Partnership:

Kaiser and its unions are attempting to build an innovative model of management—a relationship of mutual respect. What makes this even more unusual, and more difficult, is that they're attempting to institutionalize this model, rather than relying on a single, charismatic leader. (Pfeffer 2004: 6)

At the time, the partnership was still in its formative years. But Pfeffer's insight has passed the test of time. Since the partnership's founding, three CEOs and three executive directors have led Kaiser Permanente and the Coalition of Kaiser Permanente Unions, respectively. Each was different but remained committed to the partnership and built support for it among constituents.

FIGURE 2
Performance Drivers at Kaiser Permanente: Model Based on Kaiser Permanente Linkage Research of What Drives Performance Outcomes



Source: Kaiser Permanente

As health care becomes ever more complex, team based—and expensive—the partnership provides a model for managing change. It is expanding the possibilities for labor–management relations in health care. It has measurably improved care delivery, helped reduce costs and waste, and given patients and caregivers a voice. And it is helping a leading health care organization and its unionized workforce adapt to the deep changes reshaping the industry.

The Labor Management Partnership is far from perfect. It has not eliminated disagreements. After 18 years, we are still learning as we go. But it is a powerful alternative to traditional models of care delivery and labor relations. We have lived through traditional workplace approaches and partnership approaches, and we know from experience: partnership works better.

APPENDIX: PREPARING FOR THE WORK OF THE FUTURE

Workforce planning and development has been a long-term commitment—and a multimillion dollar investment—of Kaiser Permanente’s Labor Management. Programs to enhance worker skills, certification, and continuing education have benefited the organization, its members and patients, and thousands of Kaiser Permanente workers. Programs include the following:

- Two education trusts that funded more than 32,000 course enrollments for more than 100,000 eligible workers in 2015
- Tuition reimbursements of \$3,000 or more per enrolled worker
- Time off with stipends to replace lost wages for workers taking approved training
- One-on-one career counseling to help workers take charge of their professional advancement
- In-house mentorships and preceptorships to help newly trained workers meet experience requirements

Kaiser Permanente’s 2015 national agreement with the Coalition of Kaiser Permanente Unions makes the “work of the future” a priority for both parties. The agreement establishes a collaborative, transparent process for managing job redeployments. In addition, union–management jobs committees in every operating region will assess training opportunities, identify emerging and hard-to-fill positions in the organization, help employees meet minimum experience requirements, and work to eliminate barriers to job placement and training.

A member of the union bargaining team in our 2015 negotiations noted that preparing the workforce for change is a personal issue and a shared interest. “When I was younger, I was given opportunities and I ran with it,” said Julie Markiewicz, an officer of SEIU Local 49 in Oregon. “We want to give the younger generation the same kind of opportunities so they stay with Kaiser Permanente and build a future here.”

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