



20 / 12



NATIONAL AGREEMENT

AN OVERVIEW



LABOR MANAGEMENT PARTNERSHIP

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This report summarizes key provisions of the 2012 National Agreement, focusing on the economic package and the subjects negotiated by the five bargaining sub-groups—benefits, total health, improving the partnership, workforce of the future and growing Kaiser Permanente and the unions. The full agreement will be posted on LMPartnership.org as soon as it is available. To see the list of unions covered by the agreement, visit LMPartnership.org/contacts/local-unions.



Introduction

A three-year National Agreement between Kaiser Permanente and the Coalition of Kaiser Permanente Unions takes effect Oct. 1, 2012, and expires Sept. 30, 2015. The agreement protects current benefits, provides measures to control costs, strengthens unit-based teams, and establishes a groundbreaking new model for supporting employee health and wellness.

The new agreement is the largest private-sector union agreement to be negotiated this year and forms the backbone of the largest and longest-lasting labor management partnership in the United States. It covers wages and benefits as well as performance goals related to service, care quality, affordability, workforce and community health and workforce development.

Negotiated by a Common Issues Committee of 140 workers, managers and physicians, the agreement was reached through *interest-based bargaining*. That process differs from traditional bargaining by focusing not on adversarial positions but rather on common *interests*—what needs to be addressed for an agreement to be reached—and works toward a win-win solution that addresses those interests (see “*A better model for problem solving*,” page 7).

The agreement calls for employees represented by a union in the Coalition of Kaiser Permanente Unions to receive a 3 percent wage increase in each year of the agreement in California and a 2 percent increase each year in regions outside California. It preserves all current benefits for the term of the agreement, improves the dental plan and caps Kaiser Permanente’s future liability for post-retiree health care costs. It also provides incentives that reward the improvement of employee health as measured by progress against a set of key benchmarks, with the goal of creating the healthiest workforce in the health care industry. Notably, rather than rewarding or punishing individuals, the incentives are for the collective improvement of employee health.

“This agreement, and our shared commitment to work through difficult issues in partnership, is something we can all be proud of,” says **Dennis Dabney**, senior vice president of National Labor Relations. “Throughout the bargaining process, it was clear that both management and labor were committed to continued focus on

improving team performance for the benefit of our members and patients.”

“Kaiser Permanente workers, managers and physicians can be very proud of the work their colleagues did to reach this agreement,” says **John August**, executive director of the Coalition of Kaiser Permanente Unions. “At a time when the organization, the workforce and our communities face tremendous pressures and uncertainties, we came together to strengthen our model of care and our shared values.”

Below are highlights of the economic package, followed by a summary of provisions for benefits, total health, the partnership, workforce development and growth.

Economic highlights

The economic package in the 2012 National Agreement includes:

- » **In California:** Across-the-board wage increases of 3 percent each year, effective Oct. 1, 2012, Oct. 1, 2013, and Oct. 1, 2014, for all union coalition members.
- » **Outside of California:** Across-the-board wage increases of 2 percent each year, effective Oct. 1, 2012, Oct. 1, 2013, and Oct. 1, 2014, for all union coalition members.
- » Maintenance of all current benefits for the term of the agreement.
- » A formula to limit KP retiree health liability increases to a fixed amount starting Jan. 1, 2017.
- » Performance Sharing Program provides a bonus pool of up to 3 percent of payroll for meeting certain regional goals every year.
- » Annual contributions of \$19 million to two educational trusts (the Ben Hudnall Memorial Trust and the SEIU UHW-West and Joint Employer Education Fund) to ensure career development and skill upgrades for Kaiser Permanente’s workforce.
- » Taft-Hartley/UFCW (Southern California) Trust funding of an additional 7.9 cents per hour in each year of the agreement.
- » Kaiser Permanente’s contribution to the Labor Management Partnership Trust Fund to average \$15 million per year. Employee wage diversions will be consistent across all regions.

Benefits

The 2012 benefit provisions meet the goals that both labor and management established at the start of bargaining: to maintain Kaiser Permanente's industry-leading benefits for union coalition members while ensuring KP's financial stability and sustainability. This was not a simple task. Creative thinking and a true spirit of collaboration brought the parties together and produced an outcome that achieved their agreed-upon goals.

"It's a very strong agreement, and people worked hard to get there," says **Cindy Klein**, a registered nurse at Riverside Medical Center in Southern California and a UNAC/UHCP member and member of the Common Issues Committee.

Benefits provisions include:

- » **Revised dental benefit.** New language in the agreement increases the annual maximum dental benefit from \$1,000 to \$1,200 and also raises the annual maximum benefit for child orthodontia from \$1,000 to \$1,200.
- » **Educate employees so they access their care in the most effective ways.** By understanding the cost of their benefits and how to best use them, people will be able to help hold down costs.
- » **Standardization and simplification of benefits.**
 - › The Mid-Atlantic States region will charter a joint group to standardize and simplify active employees' health care benefits, with no increase in overall costs or reduction of benefits. Other regions may follow.
 - › New employees in all regions will be enrolled automatically in 401(k) or 403(b) savings plans (with opt-out provisions), at 2 percent of eligible pay.

"We all, labor and management, are invested in the long-term health of Kaiser Permanente, and we recognize the importance of these benefits to our workforce and their families," says **Maryanne Malzone-Miller**, the senior director of Human Resources in Southern California and a member of the benefits bargaining subgroup. "We took the time to work through all the information and to understand the issues, and that helped us come to more thoughtful and effective solutions."

Total health

The agreement includes landmark provisions to create the healthiest workforce in the industry. It provides incentives to bring down the runaway cost of health care while rewarding the collective group achievement of lowered risk factors, including reductions in body mass index (BMI), smoking rates, cholesterol levels, blood pressure levels and workplace injury rates.

"We are committing to trying to get people healthy, their families healthy, their communities healthy," says **Joan Heller**, an optometrist, chief steward with UFCW Local 7 in Colorado and member of the Total Health subgroup. "It's good for the employees, it's good for their families, it's good for our business. Talking about how we could do that together would probably not have happened if [the negotiations] weren't interest-based."

A jointly appointed Total Health Leadership Committee will oversee and implement the work of promoting a healthy workplace environment. Key elements of this work include:

- » **Creating a healthy workplace culture and environment.** The leadership team will address such issues as the physical environment, healthy and affordable food options, and opportunities for healthy activities. The team will conduct a timely assessment of successful practices.
- » **Rewarding and reinforcing the culture of health.**
 - › A Total Health Program Incentive, separate and apart from the Performance Sharing Program, will be established in 2013 to encourage employees to collectively:
 1. update biometric risk screenings
 2. complete the total health assessment
 3. maintain or make steady improvements on key biometric risks (weight, smoking, blood pressure and cholesterol)
 - › The goal is to achieve 5 percent improvement in key biometric risk indicators for coalition-represented employees by the end of 2016.
 - › Payouts are contingent on mutually identified savings in health plan costs resulting from the biometric improvements.

» **Union coalition and management leadership.** To help create the healthiest workforce in the health care industry, the parties will jointly develop principles for new leadership roles and structures across the organization.

Other provisions will guide the parties in how to achieve their Total Health goals:

- » **Utilize existing partnership structures and initiatives.** Provide a work environment that eliminates the risk of injury and illness, where people feel free and safe to report injuries and illnesses.
- » **Set new goals for improved workplace safety performance.** Each region will jointly develop a workplace safety plan and goals, including a timeline for progress.
- » **Develop a total health communication plan.**
- » **Utilize technology for access and education.** Employee wellness activities and programs, including online programs, will be more widely accessible to employees.
- » **Metrics.** Improve and expand Healthy Workforce tracking tools, including making them accessible to employees at the regional level.

“In our [Total Health] subgroup, labor and management had the same hopes for our workforce,” says Sandy Rusch, a medical group administrator in Northern California. “We all agree with the philosophy that ‘start where you are and do what you can do’ gives people hope for a healthy future for all of us.”

Improving the partnership

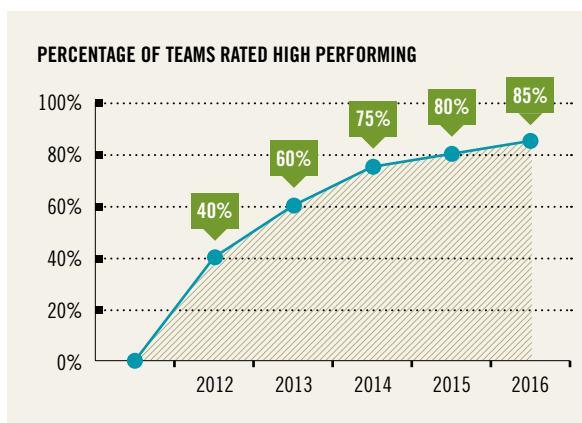
As in the last two national agreements, unit-based teams remain Kaiser Permanente’s strategy for continuous performance improvement, frontline engagement and collaboration. Partnership provisions include:

- » **Learning and development.** Every UBT, supported by its regional leadership and UBT sponsors, is required to refresh an annual development plan tied to performance outcomes.
- » **Consistent assessment of UBTs.** Each region will ensure consistent use of the UBT Path to Performance criteria, with balanced metrics and steps taken to assist teams that are not progressing.

» **Sponsors and accountability.** UBT sponsors will play an active role in identifying resources and removing obstacles to their teams’ success. In this role, sponsors will:

- » receive more comprehensive training and support
- » hold UBT co-leads accountable for advancing their teams’ development on the Path to Performance
- » escalate unresolved local issues to senior operational and union leadership

» **Path to Performance targets.** While all UBTs will strive to be high performing, the agreement sets new, measurable targets for performance. The percentage of teams rated high performing (Level 4 or 5 on the Path to Performance) in each region will increase each year as shown on this chart:



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— SANDY RUSCH, medical group administrator, Northern California

- » **LMP Trust Fund.** To support LMP activities and programs, employee contributions to the trust fund will be consistent across all regions and maintained at current levels.
- » **Resources for partnership.** Each regional LMP Council will work to reduce variation in resources, such as allotted time and backfill, to support performance improvement activities.



- » **Leverage people resources.** Each regional LMP Council will review the positions established under the National Agreement or funded through the LMP Trust to effectively support UBTs and the work of the partnership.
- » **Capacity.** The regions and medical centers will assess the caseload for UBT sponsors, consultants and other UBT support positions and set appropriate goals for those positions.

Workforce of the future

Kaiser Permanente invests billions to give its members and patients the best care and service, delivered by the most skilled workforce. Recognizing the pace of change in health care, the agreement ensures that KP is prepared to meet its future workforce needs.

These provisions cover several areas, including:

Joint workforce planning and development

- » **Career paths.** The development of career tracks for employees will continue, and regions may develop job-shadowing programs. Individuals may develop career development plans with organizational support, and regional workforce development teams will coordinate career counseling for workers in transition.
- » **Workforce planning.** Planning and development should be integrated, and labor should be engaged in building new jobs and job strategies. Job postings will be more accessible to workers, and regions will share directional changes related to federal and state regulations.
- » **Training.** Labor and management will jointly build relationships with institutions of higher learning, develop priorities for training, and remove barriers for

hiring following completion of training. Training programs should accommodate multiple learning styles, and the education trusts should develop consistent online prerequisites for training programs.

- » **Preceptorships and mentorships.** Regional teams will establish joint teams to develop goals and criteria.

Educational trusts/funding

- » Funding for educational trusts will provide for base services as well as for emerging, critical-need skills and positions.
- » Workforce Planning and Development will identify government and private funds and grant monies for training and will publicize their availability.
- » Program leaders will broadly communicate educational benefits and programs and publish an annual report.

Additional provisions include a joint approach to filling hard-to-fill positions; agreements for structuring workforce development programs; and joint regional committees to review scope-of-practice questions.

Growth of Kaiser Permanente and the unions

“When KP does well, we all do well.” That’s a message that partnership unions have championed with frontline workers in recent years, and in that spirit, the growth subgroup looked for ways to grow membership in Kaiser Permanente and in its partner unions.

The group identified ways to build on the work of the existing Senior Workgroup on Growth by replicating similar teams of union and KP leaders at the regional level.

Other recommendations include:

- » **Promote total health for membership growth.** This involves current employee wellness initiatives and other options to promote wellness to new and prospective KP members.
- » **Partnership accountability.** Ensure that regional, local and labor leadership focus on appropriate growth activities in partnership.
- » **Improve the member experience for retention/growth.** Focus on efforts to enhance the care and service experience for all members.

- » **Internal communications and metrics.** Inform people throughout the organization of activities, trends and results that support growth initiatives.

The agreement also identifies ways to grow the Coalition of Kaiser Permanente Unions. These include:

- » **Recognition and campaign procedures.** Provide training for labor and management representatives to enable consistent application of union campaign processes.
- » **Representation status of new or existing positions.** Jointly identify barriers, clarify jurisdictional issues, and use LMP processes for evaluating existing jobs for placement and for moving positions into bargaining units.
- » **Joint enforcement of the National Agreement.** Reaffirm the joint commitment to National Agreement language on new positions and minimizing use of temporary workers and subcontractors.
- » **Update of recognition and campaign procedures.** Work to assure consistent, timely use of organizing rules will be completed within 90 days of ratification of the National Agreement.
- » **Committee on union growth.** A committee will look at additional growth opportunities for unions inside of Kaiser Permanente, with discussions to be completed within 90 days of ratification of the National Agreement.
- » **Westside hospital opening.** The new Westside hospital in the Northwest region will be union-represented under the existing contract.

A better model for problem solving

The 2012 National Agreement benefits Kaiser Permanente, its workers and its members and patients. It's a good agreement because it builds on the parties' shared interests (for example, cultivating a healthy workforce) as well as the respective interests of management and labor (for example, watching spending and protecting benefits, respectively).

The national bargaining teams used the same interest-based problem-solving process that unit-based teams use to test ideas and improve operations every day in Kaiser Permanente. That approach allowed the parties to resolve difficult issues while respecting each other's needs and goals.

"In traditional bargaining, our position would be, 'We want a raise,'" says **Patti Harris**, a medical receptionist in the Northwest and member of SEIU Local 49. "And how that happens for the company would not be our concern. With this process, our concern is the health of the company and the health of our employees. That's totally different in this world."

"We had senior leaders that were in the [Benefits] group, and I was their equal in the room," says **Robin Blake**, a medical assistant at Fresno Medical Center in Northern California and an SEIU UHW member. "What I had to say was valued and important to the conversation. I don't believe that would have happened if we had used any other method but interest-based."

Members of both the union and management bargaining teams say the problem-solving skills and relationships developed in interest-based bargaining carry over into the workplace. That is likely to have an impact well beyond the life of the contract.

"This agreement mirrors what we are trying to do in our partnership, which is to live out the KP Value Compass," says **Jim Pruitt**, the vice president of LMP and Labor Relations for The Permanente Federation. "The way we worked with benefit cost issues, for example, speaks to our effort to take on complex issues. This approach to problem solving and labor relations sets Kaiser Permanente apart from others."

"Everyone involved in bargaining—which was hundreds of people—has a story to tell about what was accomplished with this agreement," says **John August**. "We solved important problems for Kaiser Permanente, our workforce, and our members and patients. We want to keep KP the best model of care, and we can do that by continuously improving our quality, service, safety, affordability and the workplace. That's what the agreement is about."

'This agreement mirrors what we are trying to do in our partnership, which is to live out the KP Value Compass.'

— **JIM PRUITT**, vice president of LMP and Labor Relations,
The Permanente Federation



THIS IS AN OVERVIEW OF THE 2012 NATIONAL AGREEMENT

Visit LMPartnership.org for related materials—including the full text of the agreement, which will be available as a downloadable PDF—and for tools, stories and videos that will help your unit-based team succeed.