

KAISER PERMANENTE

THE COALITION OF

KAISER PERMANENTE UNIONS, AFL-CIO

OCTOBER 1, 2000

National Agreement

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NATIONAL AGREEMENT: INTRODUCTION

IN 1997, THE UNIONS OF THE AFL-CIO COALITION OF KAISER PERMANENTE UNIONS AND KAISER PERMANENTE entered into a National Labor Management Partnership Agreement. By involving employees and unions in organizational decision-making at every level, our partnership is designed to improve the quality of health care, make Kaiser Permanente a better place to work, enhance Kaiser Permanente's competitive performance, provide employees with employment and income security, and expand Kaiser Permanente's membership. The cornerstone of the Partnership is an innovative labor management relationship. In that spirit, the parties decided to embark on a voyage—one that had never been attempted—to collectively and simultaneously bargain 33 Partnership union contracts.

The Common Issues Committee, made up of union and management representatives from across the country, was responsible for drafting this Agreement. To inform their work, they chartered seven Bargaining Task Groups (BTGs) in April of 2000. These seven groups were made up of approximately 300 management and union representatives from across the program.

The BTGs were charged with making comprehensive, long-term recommendations in the areas of Quality and Service, Health and Safety, Performance and Workforce Development, Wages, Benefits, Balancing Personal Life and Work Life, and Workplace Innovations to make Kaiser Permanente the best place to work. Over the course of several months, the Bargaining Task Groups developed comprehensive solutions for transforming our work environment. They reported their solutions to the members of the Common Issues Committee in a two-day session in early July.

Over the next three months, the Common Issues Committee then undertook the exhaustive challenge of reviewing the detailed and visionary work of the BTGs. Their charge was to determine how best to distill the work of the groups into a National Agreement and at the same time, ensure that the work of the groups is carried forward into our future.

Each of the Bargaining Task Groups gave more definition and specificity to the partnership path. Each expressed a high degree of confidence in the Labor Management Partnership and the potential found within the vision of the Partnership. They clearly saw local Labor Management Partnership Teams as the means of providing oversight of implementation processes for their recommendations.

The *Pathways to Partnership* was developed in 1997 to provide a roadmap for making a transition to an environment characterized by collaboration, inclusion and mutual trust. Within the framework of the *Pathways to Partnership*, this National Agreement provides for a new way to work and a new way to provide care. We will continually improve service, patient care and performance by enabling each person to engage her/his full range of skills, experiences, and abilities. The National Agreement describes an organization in which unions and employees are integrated into planning and decision-making forums at all levels including budget, operations, strategic initiatives, quality processes, and staffing. In our vision, decisions are jointly made by self-directed work teams—giving people who provide the care and service the ability to decide how the work will best get done. We look forward to a time when all eligible employees participate in the Partnership and are covered by this National Agreement.

This National Agreement is designed to support two goals: implementation of the Partnership on a national and local level and movement toward nationwide consistency. Partnership implementation is supported through the reinforcement of regional and local partnership teams. And in some instances, the document provides specific timeframes required to assure progress toward implementation. The National Agreement also takes steps toward nationwide consistency in determining wages, benefits, and certain other terms and conditions of employment. It is our blueprint for making Kaiser Permanente the employer and care provider of choice.

Section 1 of this Agreement covers the privileges and obligations of partnership, reflects our continued commitment to the Partnership, and integrates the work of the Bargaining Task Groups into partnership implementation. It provides mechanisms for spreading partnership, collaboration, and organizational transformation throughout our organization. It begins to define how workers and managers engage in areas such as quality and service, training and education, health and safety, and life balance programs. Section 1 also covers areas such as union security, partnership governance, and problem-solving processes and elaborates on other privileges of Partnership. Recognizing that different areas and facilities are starting at different points, this section must be used in conjunction with the *Pathways to Partnership*. Some timeframes are included, but where not specifically noted, the foundation for transition, as outlined in the *Pathways to Partnership*, must be built for organizational transformation to be successful and enduring.

Section 2 identifies the specific provisions of the National Agreement which pertain to compensation, benefits and disputes procedures.

Section 3 describes the scope, application, and term of the Agreement.

This National Agreement was created through an extraordinary collaboration with the input of hundreds of Kaiser Permanente employees at every level. We created this document the way we will work in the future – jointly. The Agreement embodies our collective vision for Kaiser Permanente. The language of this National Agreement cannot begin to fully capture the energy and collective insights of the hundreds of people working long hours to establish this framework. But as work units apply these principles, we trust that their commitment and expertise will make our vision a reality.

SECTION 1: PRIVILEGES AND OBLIGATIONS OF PARTNERSHIP

➤ A. COMMITMENT TO PARTNERSHIP

The essence of our Labor Management Partnership is involvement and influence, pursuit of excellence, and accountability by all. We believe people take pride in their contributions, care about their jobs and each other, want to be involved in decisions about their work, and want to share in the success of their efforts. Market-leading organizational performance can only be achieved when everyone places an emphasis on benefiting all of Kaiser Permanente. There is an indisputable correlation between business success and success for people. Employees throughout the organization must have the opportunity to make decisions and take actions to improve performance and better address patient needs. This means that together we must ensure employees have the skills, knowledge, information, opportunity, and authority to make sound decisions and perform effectively. Engaged and involved employees will be highly committed to their work and contribute fully.

By creating an atmosphere of mutual trust and respect, recognizing each person's expertise and knowledge, and providing training and education to expand those capabilities, we can achieve our common goals of achieving organizational success and creating a secure, challenging, and personally rewarding work environment. With this Agreement, the parties jointly initiate a wide array of activities designed to increase employee skills training, learning opportunities, and growth and development.

Section 1 presents our integrated approach to quality and service, performance and workforce development, education and training, and creating an environment responsive to employee and union interests.

It is our intention to solve problems as close to the patient and the problem as possible, respecting the interests of all parties. The Partnership Review Process, which is applicable only to matters arising out of Section 1, is meant to be used as a last resort.

With this Agreement, the Unions and Kaiser Permanente assume a set of privileges and obligations. These include, but are not limited to, employment and income security, union security, access to information including the responsibility to maintain confidentiality concerning sensitive information, participation in the governance structure, and participation in performance sharing plans. They also include a joint commitment to continue to improve quality and service.

In addition, we have a joint commitment to identify, and by mutual agreement, incorporate our own best practices and the best practices of high performance organizations into each facility. We will work diligently to increase and enhance flexibility in work scheduling and work assignments to enhance service, quality and financial performance, while meeting the interests of employees and their unions. We share a willingness to work in good faith to resolve jurisdictional issues in order to increase work team flexibility and performance. And we share a commitment to marketing Kaiser Permanente as the employer and care provider of choice.

► B. PARTNERSHIP GOVERNANCE STRUCTURE

The National Labor Management Partnership Agreement describes the vision of a work place environment where diversity of opinions is valued and all stakeholders share a voice in decisions that affect them and their work. The vision of this Partnership is an integrated structure, where the unions and their members are part of the decision making forums. It is recognized, however, that prior to reaching this vision, parallel structures must be implemented to organize, plan and implement the partnership principles. These structures are meant to be steps toward integration and could, indeed should, change as the Partnership evolves.

1. GOVERNING BODIES

The governing body for the Labor Management Partnership is the Labor Management Partnership Strategy Group (the Strategy Group) and shall comprise a small group (totalling approximately 10-12) representatives from the Kaiser Permanente Partnership Group (KPPG) and the Coalition of Kaiser Permanente Unions in approximately equal numbers. The KPPG represents the highest level decision-making body within Kaiser Permanente. The Coalition of Kaiser Permanente Unions coordinates joint activity for the partner unions. Membership for the Strategy Group will be determined by October 2000, and the first meeting should be held by November 30, 2000.

The Strategy Group will be advised by a newly constituted National Labor Management Partnership Council (Partnership Council). This Partnership Council will effectively replace the previous Senior Partnership Committee. It will meet periodically, approximately quarterly, to be briefed on all pertinent matters pertaining to the Partnership, to share learnings and regional best practices, and to plan implementation and provide policy recommendations to the Strategy Group.

The Office of Labor Management Partnership will provide administrative and operational support to the Strategy Group and to the Partnership Council and support the implementation of the Partnership at all levels.

2. PARTNERSHIP STRUCTURES

Each of the Bargaining Task Groups expressed a high degree of confidence in the Labor Management Partnership and in local and national partnership teams as a means of providing oversight. Each recommended separate national and local oversight structures. As a result, a Structure Subcommittee will be appointed to assess each recommendation and develop a comprehensive plan integrating the requirements from each group. The Structure Subcommittee should complete its recommendations by December 31, 2000 and submit same to the Strategy Group for approval and implementation. The recommendations will include the assignment of responsibility for national, regional and/or local teams in the areas of:

- Quality and Service
- Health and Safety
- Life Balance
- Performance and Workforce Development
- Training and Education

Local teams will be governed by Regional Partnership Teams. It is recommended that Partnership teams include key stakeholders and key decision makers and yet remain small enough to problem solve and reach quick resolution while ensuring appropriate representation. Guidelines for Partnership Team composition are available through the Office of Labor Management Partnership. Union representation on each team will be decided by the unions. As identified below, Regional Partnership Teams are the nucleus of partnership activity within a local area. With the exception of the the Strategy Group, and any committees or structures chartered or established by it, all oversight structures will be established as subcommittees of the Regional Partnership or Local Partnership Team.

Regional Partnership Teams will be constituted in each Region no later than March 31, 2001. The Regional Partnership Team will advance the Partnership in a timely manner throughout the Region, implementing national partnership goals and objectives plus Regional/Local program and policy initiatives. The teams will receive direction from and be accountable to the Strategy Group.

The Regional Partnership Team may charter other partnership teams responsive to the organizational structure and will assure accountability for implementing the Partnership. The Regional Partnership Team is encouraged to review the BTG reports in order to determine how to advance performance improvement, employee satisfaction, and involvement at regional and local levels. The Regional Partnership Team should assess and prioritize all BTG recommendations within budgeted, allocated resources and determine appropriate priorities and funding.

During the term of this Agreement, the Strategy Group will continue to review and prioritize BTG recommendations for possible implementation.

It is expected that these Regional and Local Partnership teams will quickly mature and evolve into operational leadership teams in which union leadership will be fully integrated and no longer in a parallel structure apart from the ongoing management function.

3. JOINT PARTNERSHIP TRUST

A joint Labor Management Partnership Trust will be established for the purpose of funding Labor Management administration and Partnership activities. Kaiser Permanente will contribute at its current rate adjusted annually in accordance with general budget inflationary factors. Changes in the Employer's overall funding of partnership expenses, including Partnership Trust contributions, training and education development, administration, technical and consulting support expenses necessary to implement/advance the Partnership shall be at least proportional to employee contribution escalation as described below. An amount equal to five cents per hour per employee will be contributed to the Partnership Trust in the first contract year. For subsequent years, the Coalition of Kaiser Permanente Unions will be responsible for developing a methodology for continuing the payment of five cents per hour per employee and a one cent per hour annual escalator. The purpose of the employee contribution is employee ownership of the partnership, sponsorship of increased union capacity and shared ownership of outcomes and performance gains.

The Partnership Trust will be overseen by the Strategy Group and will be jointly administered. Its four trustees, two union and two management, will consist of the partnership labor and management co-chairs of the Strategy Group and one other union and management representative. The trustees will serve under the direction of the Strategy Group and accept fiduciary responsibility for the Partnership Trust.

► C. BARGAINING TASK GROUP SOLUTIONS

The BTGs, comprising 300 employees, managers, supervisors and union leaders, worked diligently to propose solutions in a range of areas of great interest to the Employer, employees and their Unions. This section is based on their vision and solutions in the areas of Quality and Service, Performance and Workforce Development, Employee Health and Safety, and Work-Life Balance and Work Life Innovations. While not intended to represent all of the ideas, goals and direction indicated by representatives in these Task Groups, it captures the fundamental elements necessary for making Kaiser Permanente the best place to work and receive care.

We are all dedicated to working together to make Kaiser Permanente the recognized market leader in providing quality health care and service. This can be accomplished through creating a service culture, achieving performance goals, developing our workforce, increasing employee satisfaction, promoting patient safety programs and focusing our attention on employee health and work-life personal-life balance. Our goal is to continually improve performance by investing in people and infrastructure, improving communication skills, fostering leadership, and supporting involvement in the community.

1. QUALITY AND SERVICE

Kaiser Permanente and the Coalition of Kaiser Permanente Unions are dedicated to working together to make Kaiser Permanente the recognized market leader in providing quality health care and service. This will be achieved with a comprehensive organizational transformation that can only be established within the context of all of the programs in Section 1 of this Agreement.

Under the guidance of the Regional Partnership Team, the local partnership teams must address the following critical components of quality health care and service: a service culture, a joint staffing process, and a work environment conducive to reducing errors and improving patient/member safety.

a. A SERVICE CULTURE

A service culture can best be achieved through self-directed work teams responsible for entire, discrete processes. The creation of such teams should be the ultimate goal for those planning the Partnership implementation process. The guidance provided by the KP Promise and the *Pathways to Partnership* should be followed in developing these teams.

Partnership teams will be responsible for creating our service culture at the facility, department or work unit level. It is our intent that partner union employees in all departments/areas be included in the planning, development, and implementation of an improved service culture. Union partners should be integrated into any ongoing service initiatives, and subsequently be involved in the planning, design and implementation of any new initiatives from the onset.

Creating a service culture requires that certain organizational components be in place. We agree that these components include: knowledge of what constitutes an excellent care experience, modeling of excellent service behaviors, employee satisfaction and empowerment, skills and competencies, systems to support service quality, and a strategy for becoming an organization known for service excellence. We will create an organizational environment that encompasses these elements.

We also recognize that high employee, physician, and patient satisfaction are achieved through an involved, multi-disciplinary, self-directed, trained team that focuses on meeting or exceeding the service expectations of our patients.

Essential components for creating high performance work teams include involvement and participation, information systems to share data with the team, a sense of team and community, training and education, authority and accountability, and an organizational orientation to quality. Ultimately these work teams are self-directed, responsible for entire, discrete processes, and in the best position to continuously improve their service to internal and external customers.

b. A JOINT STAFFING PROCESS

We understand that staffing is often a controversial issue between management and labor which can greatly impact staff satisfaction. Therefore, we recommit to support the vision of the Partnership outlined in the original *Pathways to Partnership* document, which is intended to continue to move the organization toward joint decision making.

We recognize that the ability to provide quality health care and service to our patients, and a quality work environment for our employees, is influenced by a number of variables, including how we staff. Thus, we agree to implement a joint process for staffing to be applied throughout the organization in all departments where partner union members work. We also recognize that this process must be initiated at the regional/service area level with the involvement of partner unions in business planning and resource allocation decisions that ultimately shape a staffing plan, as well as in decisions to adjust resource allocations during the budget cycle.

The process will be sponsored by the Regional Partnership Council/Team and will be implemented by local Partnership Teams. The sponsors will ensure the development and implementation of local partnership staffing processes at the facility, department or work unit level, or across multiple facilities depending on the region. The process should be applied across the program in all areas where employees represented by partner unions work.

We agree that after appropriate partnership education/training, joint partnership staffing teams will be involved in determining, within allocated organizational resources, how departments will be staffed. Partnership staffing teams will be expected to recommend annually a staffing design (plan) that encompasses mutually acceptable numbers, mix and qualifications of staff in each work unit. This plan should lead to the development of staffing methodologies (e.g. ratios, hours per patient day, or other tools) to improve measures of quality health care and service and employee satisfaction. Developing staffing plans in this manner will result in less variability in staffing (numbers, mix and qualifications) across a region or service area. Partnership staffing teams are encouraged to demonstrate creativity and flexibility and the agreements reached will be non-precedent setting. We encourage and desire sharing and adaptation of the best practices in order to promote functioning as a superior health care system.

At the regional/local level, the staffing plan features should include:

- The ability to track quality outcomes to determine the impact of various staffing plans on quality
- The identification of system and process problems that undermine quality health care and service
- The use of an interest-based model for modifying the staffing plan in the future
- Full sharing of all information and review of best practices, internally and externally

Consideration of the following factors:

- Replacement needs
- Patient needs and acuity
- Technology
- Inpatient and outpatient volume
- Department/unit size
- Geography
- Standards of professional practice
- Experience and qualification of staff
- Staff mix
- Regulatory requirements
- Nature of services provided
- Availability of support resources
- Model of care
- Needs and acuity of the entire medical facility as well as specific department/unit
- Consideration and support for meals and breaks
- Departmental/area budgets
- Adherence to any and all guidelines promulgated by any reviewing or regulatory agency and any other applicable laws and regulations is mandatory.

c. PATIENT SAFETY

We agree that improving the quality of care delivered to our members/patients requires significantly increasing the reporting of actual errors and “near misses”. It is recognized that the reporting of such errors can only improve if employees are assured that punitive discipline is not seen as the appropriate choice to handle most errors. We must jointly create a learning environment which views errors as an opportunity for continued, systematic improvement. This environment must encourage all employees to openly report errors or “near misses” and participate in analyzing the reason for the error and the determination of the resolution and corrective action needed to prevent reoccurrence.

Regionally, there will be joint labor management development, administration, promotion, and evaluation of the reporting system.

The reporting system will include the following components:

- Reporting of errors, with systematic, standardized analysis of errors and near misses
- Communication of learnings to help make needed policy and procedure changes
- Confidentiality of involved employees unless prohibited by statute or law
- Involvement of staff in error analysis and/or resolution
- Making reporting a positive experience

- Training and education programs that enhance skills and competency to help prevent future errors
- Maintenance of the integrity of privileged information
- Ability to collect and trend data across the organization

Information regarding errors reported through this system will be handled through the Labor Management Partnership approved issue resolution/corrective action process and will not be used as the basis for discipline except in rare cases when punitive discipline is indicated such as the employee:

- Was under the influence of drugs or alcohol
- Deliberately violated rules or regulations
- Specifically intended to cause harm
- Engaged in particularly egregious negligence

Reporting through this system does not relieve the employee of the responsibility to complete an incident report when indicated by policy.

2. PERFORMANCE AND WORKFORCE DEVELOPMENT

Workforce development and performance improvement—together with our quality programs and training and education—are key pillars in the organizational transformation we envision.

a. PERFORMANCE

Kaiser Permanente and the AFL-CIO Coalition of Kaiser Permanente Unions are competing in a challenging market that is characterized by a limited workforce, changes in technology, changes in clinical practice, cultural diversity, changing demographics, and high demand for quality service. We can enhance performance by:

- Investing in people and infrastructure
- Developing a formal approach to improve communication skills throughout the organization
- Fostering leadership at work
- Supporting involvement in community services

Investing in People and Infrastructure

We must make a significant new investment in people in order to build a high performance organization rooted in the Partnership and the KP Promise. This will be done through a focus on education, development, and opportunity.

Developing a Formal Approach to Improve Communication Skills Throughout the Organization

We will work to develop, implement and maintain communication standards and practices that will support our vision.

At the facility level, this will be supported through leadership accountability for ongoing face-to-face communication with employees. Reports should include:

- Performance goals and targets shared at the beginning of each year
- Work group and local organizational performance reported quarterly

In addition, union and management leadership have joint accountability for quarterly performance reports to all employees, addressing issues around key business initiatives, customer feedback, and financial and membership information. In accomplishing this, local parties will explore distribution of information via the KP Intranet connection and employee mailboxes.

Fostering Leadership at Work

We will foster leadership competencies and behaviors that include creating trust, promoting employee engagement in decision making, building relationships, sharing information, encouraging growth and development of self and others, and modeling the Labor Management Partnership. These competencies will be developed in employees, managers, and union leadership.

In their performance appraisals, managers and employees will be held accountable for demonstration of leadership competencies and behaviors, and a commitment to the principles and progress of the Labor Management Partnership. Recognition should be based on these competencies as well as work group and organizational performance.

Front-line managers have historically served a vital role in leading the workforce. When the partnership evolves to the point that self-directed work teams are functional, front-line managers will continue to play a crucial role in providing leadership and support to front-line workers, but the role will change in style, scope, and content. The role will evolve from directing the workforce to coaching, facilitating, and supporting a large self-directed workforce.

Supporting Involvement in Community Services

Kaiser Permanente and the Coalition of Kaiser Permanente Unions will support involvement in sponsored and unsponsored community service. This will further serve our communities and make them a better place for our members and staff to live and work, while providing learning opportunities for employees.

b. FLEXIBILITY

Kaiser Permanente and the Coalition of Kaiser Permanente Unions are committed to enhancement of organizational performance by developing and investing in people and aligning the systems and processes that support the achievement of organizational and partnership goals. Further, we are committed to becoming a high performance organization and to the KP Promise and the Labor Management Partnership as a foundation for reaching this goal.

We recognize that market-driven change has created a challenging competitive situation that is characterized by a limited number of skilled workers and new entrants into the workforce, changes in technology, changes in clinical practice, cultural diversity, changing demographics and high demand for quality service. To become a high performance organization in this environment requires organizational change.

Becoming a high performance organization also requires a pledge from Partner unions and Kaiser Permanente to modify traditional approaches, to work diligently to enhance flexibility in labor contracts, to willingly explore alternative ways to apply seniority and to address jurisdictional issues in order to achieve organizational performance goals. It is expected that the parties will undertake this in a way that is consistent with the Partnership, while at the same time preserving the principles of seniority and union jurisdiction.

The following is minimally required to create an environment that balances Kaiser Permanente's need for flexibility in removing barriers to enhanced performance with Partner unions' need to honor seniority and jurisdiction. The goal is to create a climate based on trust that promotes achievement of Partnership outcomes and fosters an environment in which Kaiser Permanente, Partner unions, and employees effectively respond to and address issues at the local level. It is not the intent of the parties to undermine the principles of seniority and union jurisdiction or to reduce the overall level of union membership. Management is not looking for the right to make changes unilaterally to achieve greater flexibility, but expects the unions to work with them to address flexibility needs. The need for and desirability of joint decision making is acknowledged.

Management recognizes the union's interest in a balanced approach which will not disadvantage one union relative to another and acknowledges that a broad, long-term perspective be adopted.

Commitment to performance improvement through joint, continuing efforts to redesign business systems and work processes. This includes simplifying workflow, eliminating redundant or unnecessary tasks and coordinating workflow across boundaries. It also requires alignment with and implementation of the business strategy and the principles of the Labor Management Partnership.

Incorporation of labor management partnership principles in redesign efforts. These include:

- Involving affected employees and their unions in the process
- Assessing impact on employees
- Minimizing impact on other units due to bumping and other dislocation
- Providing fair opportunity for current employees to perform new work
- Re-training or re-deploying affected employees
- Applying the principles of employment and income security

Creation of mutually agreeable local work design processes to address local conditions while ensuring high levels of quality, service, and financial performance. Flexibility will enhance management's ability to meet its employment security obligations, just as flexibility will be enhanced by joint labor management influence over workplace practices. Principles to be observed include:

- Respect for seniority and union jurisdiction
- Flexibility for employees' personal needs
- Flexibility in work scheduling, work assignments, and other workplace practices

Commitment of local labor management partners to exhibit creativity and trust to resolve difficult issues such as:

- Contractual and jurisdictional issues that are inconsistent with partnership principles and/or that are barriers to achievement of partnership goals

- Considering reciprocity of seniority between bargaining units to facilitate employee development and performance improvement
- Enhancing employee mobility across regions and partner unions and into promotional opportunities
- Cross training staff across job classifications and union jurisdictional lines where it makes operational or business sense or where union and employee's interests are accommodated
- Enabling team members to perform operational functions across boundaries (job classification, department and/or union jurisdiction) within their scope of practice and licensure to serve members/patients
- Utilizing a joint process to resolve issues of skill mix, classification, and the application of the provisions of the National Employment and Income Security Agreement.

Mechanisms for flexibility include, but are not limited to:

- Expanding skills of staff
- Developing innovative and flexible scheduling and work assignments to balance staffing and workload
- Alternative work assignments and schedules to accommodate variations in staff workload
- Shifting tasks to accommodate periods of peak demand
- Temporary assignments to other work
- Using supply-demand management tools to anticipate staffing needs
- Other innovative employment options such as seasonal employment and job sharing.

In applying the principles of the Partnership, local labor management partners may make a variety of joint agreements or practices to enhance organizational performance and to accommodate employee interests. In order to encourage creativity and joint risk taking, such agreements will be non-precedent setting and not apply to other units, departments, medical centers, or service areas. However, sharing and adoption of best practices is highly encouraged.

c. EDUCATION AND TRAINING

We recognize that in order to achieve the KP Promise, the vision of the *Pathways to Partnership*, and enhanced organizational performance, a significant commitment must be made to invest in the training and education of the workforce. Furthermore, most of the policies, commitments and plans described in this Agreement cannot be successfully accomplished without the committed efforts of Kaiser Permanente employees. Meaningful participation requires a high level of knowledge and understanding of the business of health care, the operations of Kaiser Permanente and the principles of the Labor Management Partnership. Therefore, we share the goal of a comprehensive, jointly-administered education and training effort with joint design and oversight teams.

National Support

The BTGs identified a variety of educational requirements necessary to advance the partnership and transition into high performing, committed work teams. To address these recommendations, the Strategy Group will establish a national education task force to evaluate the BTG educational recommendations and develop a plan for integrating the recommendations into the organizational structure.

The committee will consider:

- Development of a uniform and consistent tracking mechanism for all National Labor Management Partnership and regional employee education and training
- Methods to secure and coordinate funds from external sources
- Jointly administered educational funds for partnership training
- Integrating education into current processes and funding mechanisms
- National templates for employee education
- Providing national guidance and coordination to Regions including the collection and dissemination of best practices in training design and content
- National support for the development of Partnership activities.
- Support for the educational requirements of Partnership teams including:
 - Partnership orientation
 - Business education (root learning maps)
 - Interest-based problem solving
 - Consensus decision making
 - Union education
 - Issue resolution and corrective action and
 - Understanding institutional unions.

Support includes program development, train-the-trainer programs, partnership team orientation and consultation.

Joint Employee Education Design and Teams

Joint oversight of local Partnership and other joint training will be provided under the guidance of the Regional Partnership Teams. The national education committee will provide guidance for local/regional teams concerning:

- National and Regional oversight/administration
- Processes to inventory current employee education activities
- Audit current spending (total and percentage of payroll)
- Create/implement a funding tracking system
- Determine feasibility of a National Education Resource Center

3. EMPLOYEE HEALTH AND SAFETY

Creating an environment that respects and supports the health and safety of employees as well as patients is key to achieving performance results. Therefore, Kaiser Permanente and the Coalition of Kaiser Permanente Unions commit to the guiding principles that best insure employee health and safety: protect yourself, protect our employees and protect our members, and protect Kaiser Permanente assets. By adopting these principles we are initiating and identifying specific areas through which these principles can be promoted and institutionalized.

Health and Safety programs should provide integrated services, benefits, and programs. The collective goal is to integrate current health and safety teams into partnership teams.

Health and safety teams, integrated as partnership teams will assist in prioritizing and implementing funding, determining accountability and developing measurements, and may assist in or oversee the implementation of consistent Health and Safety and prevention programs. These teams may be linked to and will coordinate with the Regional Partnership Teams or National Teams as appropriate.

The existing California Draft Integrated Disability Management policy and the guidelines for temporary placement of bargaining unit employees will be reviewed and considered for national adoption. As areas adopt the plan, local Labor Management Partnership Teams will work with local health and safety teams/departments to coordinate and assist in implementation. A communication plan will then be developed and timetables established to implement the program. The priority guidelines for temporary placement of bargaining unit employees will be followed.

Priorities at the national and local levels may include reporting and performance measurement systems, with accountability measures to determine the return on investment and continuation of the program, injury and illness prevention, and other jointly developed outcomes.

A Consistent Set of Prevention Programs

An Environmental Health and Safety partnership effort will determine a set of prevention programs that include the following tasks:

Patient handling: develop a Code of Safe Practice, conduct Team Patient Handling training, purchase equipment, establish lift teams

Bloodborne pathogens: form National Labor Management Partnership Sharps Safety Committee; pursue the goal of obtaining, maintaining, and utilizing the safest sharps safety devices that ensure the most passive features; develop sharps injury log; monitor sharps disposal; implement training

Workplace violence: collect and review incident data; implement training; determine cellular phone needs/allowances; establish uniform policies for a) visitor access, b) communication with family on patient status, c) staffing, training, equipment, and procedures for cash handling, d) immediate employee access to emergency services, e) confidentiality of employee information, and f) other related topics deemed necessary; recommend engineering and administrative controls; provide debriefing and counseling for impacted employees; develop a uniform system for recording workplace violence incidents.

Chemical exposure: review current chemical hazards training efforts and develop new training; ensure chemical information is available and accessible; set clear policies and procedures.

Facility cleanliness: improve orientation and training of environmental service employees and involve employees in efforts to improve the cleanliness of facilities.

4. WORK-LIFE BALANCE

As a health care organization, Kaiser Permanente and the Coalition are committed to the health and well-being of employees and to work-life practices, programs and services that balance work and life cycle challenges. Employees who are supported in balancing their work and personal lives are more effective in their work, more productive as team members, and better able to deliver quality health care and service to members/patients. The organization's responsiveness to individuals' needs, both on and off the job, is a powerful predictor of productivity, job satisfaction, commitment and retention.

The Labor Management Regional Teams should provide leadership on work-life balance issues. They should develop operational policies, oversee implementation of work-life balance programs, and coordinate ongoing training and communication about life balance.

There are two key components that together enable us to improve work-life balance: time away from work, and services that support health and well-being.

Time Off

Partnership unions and management believe that time away from work is essential to achieve work-life balance. It is important for employees to take time for leisure as well as time to manage the demands of their personal lives.

Attendance education: Education about the appropriate use of sick leave, coupled with monitoring and corrective action when needed, can help managers and employees balance the obligation to be at work with the need to take care of health and well-being. For those bargaining units with traditional sick leave time off benefits, the "Labor Management Education Program: Attendance" currently used in the North Valley Service Area, may be a model for attendance education.

Donating days: The Partnership should create a mechanism for employees to voluntarily donate some earned time off, vacation, or life balance days to employees in need.

Work-Life Balance Services

To achieve work-life balance goals, Partner unions and Kaiser Permanente should evaluate a continuum of available services—health promotion, employee assistance services, and referral services.

There are three parts to work-life balance services:

Health promotion focuses on keeping people healthy. Health promotion services and programs may include, but are not limited to, self-help classes, support groups, stress management, conflict management, and cultural sensitivity/awareness training.

Employee assistance services are intended to maximize employees' ability to cope and remain productive during stressful events and life crises. Such services should be sponsored nationally and implemented locally. They include work-life problem assistance, such as drug and alcohol assistance

assessment and referral, short-term family counseling, and manager/union consultation services. Life crisis services include emergency financial aid and grief counseling.

Referral services provide a caring environment that is sensitive to the variety of employee needs.

Company sponsored, arranged or subsidized services may be provided. We should utilize Kaiser's size to obtain discounts in contracts for goods and services. This should benefit employees with minimal added cost. Examples include mass transit incentives, financial counseling services, concierge services, and computer discounts. Some of these services are provided currently through the California Division Employee Activity Program. Expansion of these services nationally may be evaluated by the Strategy Group during future years of the contract.

Regional, service area, or facility partnership teams will be responsible for overseeing and insuring implementation of work-life balance programs as mutually agreed. Some of the responsibilities include:

- Inventory of existing services

- Assess high priority new or expanded services to include health promotion services and programs, employee assistance services and referral services

- Work with local employee assistance personnel to ensure implementation of recommended new or expanded services

- Ensure communication to all employees regarding access to available services

- Periodically evaluate utilization, cost savings and satisfaction with services

1. UNION LEAVES OF ABSENCE

In support of the Partnership relationship, upon request, the Employer will grant time off to employees for official Union business so long as the number of employees absent for union business does not impose an unreasonable burden on the Employer and the Employer receives reasonable notice.

Union leaves will be defined according to the following:

Short Term Leaves are defined as leaves up to thirty days. Employees will continue to accrue seniority, service credit and benefits during the time of the absence, at the expense of the Employer. The impact of multiple short term leaves on the operations must be considered.

Long Term Leaves are defined as leaves of absence for more than 30 days and up to a maximum of one year. Such leaves will be granted by the Employer in increments of three months and shall be reviewed periodically by the Regional Partnership Teams. Seniority, service credit, credited service and health, dental, and life insurance benefits will continue during the leave so long as the union reimburses Kaiser Permanente for the cost of such.

Elected Official Leave. Any employee elected to a union office will be automatically granted a leave of absence for the duration of the term or three years, whichever is less. Employees must return to work after the completion of one term. Seniority, health, dental, and life insurance benefits will continue during this time, so long as the Union reimburses Kaiser Permanente for the costs of such. Service credit and credited service will be applied for a maximum of two years, so long as the union reimburses the Employer for such costs. Per local agreement, leaves beyond one term may be granted, but will not include service credit.

Kaiser Permanente will pay employees for absences in order to participate in grievances, issue resolution meetings, Kaiser Permanente Work Committees and interest-based negotiations under the Living Agreement Section. Paying employees for participation in panel arbitrations will be the decision of the Regional Partnership Team.

The Employer and the leaders of the Partnership Unions will work together to ensure reasonable notice and to minimize impact on service and care delivery associated with this provision.

2. CORPORATE TRANSACTIONS

The parties recognize that unions and employers do not stand still. Unions merge with each other, or in some cases, split into smaller parts. Employers buy and sell operations, spin off business units, merge with other entities, or otherwise restructure their operations.

Through implementation of the Partnership principles embedded in this National Agreement, the parties expect to establish open communication concerning business and organizational issues affecting their respective operations. The parties anticipate that in most instances through such communication and the Partner Unions' ongoing involvement in Kaiser Permanente's business matters, the Unions will be aware of

business issues that may cause Kaiser Permanente to consider transactions such as those described above. In such circumstances, the parties contemplate that they will move to more formal discussions concerning such contemplated transactions as Kaiser Permanente's consideration of options proceeds. The parties intend that the Coalition of Kaiser Permanente Unions and the affected Partner Unions will be involved in such consideration in a manner consistent with Partnership principles and that the legal and contractual rights of the affected employees will be honored in any resultant transaction.

3. VOLUNTARY COPE CHECK-OFF

The Employer agrees to administer a voluntary check-off of employee contributions to the Union's political education and action fund. The program shall include the following provisions:

Contributions to the political education and action fund are voluntary for employees

The Union is responsible for obtaining check-off authorization from each employee who wishes to have a voluntary payroll deduction

The Union will reimburse Kaiser Permanente for the costs of administering the payroll deduction

Kaiser Permanente will implement this program if its attorneys advise, or if the IRS offers either an informal opinion or a controlling letter or decision, that this proposed program does not jeopardize Kaiser Permanente's non-profit status. In the latter case, the parties commit to seek the IRS opinion before the implementation of the National Agreement on October 1, 2000. Under no circumstances will the check-off be implemented before ratification of the Agreement.

4. SUB-CONTRACTING

[A] Consistent with current practice, Management reserves the right to meet immediate day-to-day operational needs by contracting for services, for example, through registry, temporary services, etc.

[B] The Parties reaffirm a Partnership presumption against the future sub-contracting of bargaining unit work.

[C] The parties further affirm their commitments to address any regional or national issues concerning future subcontracting of bargaining unit work through a process of joint problem solving at the Regional Partnership Council and at the National Labor Management Partnership Strategy Group level respectively.

[D] Coincident with paragraph [C] above, the parties agree that the newly formed Strategy Group will be charged, at its first meeting, with the responsibility for (1) reviewing subcontracting in view of current and future business realities as well as the employment and income security needs of the workforce; (2) developing a national policy which will address policy and practice guidelines with respect to past, current and future contracting; and (3) establishing appropriate decision making and issue resolution processes for issues arising under the national or any local or regional subcontracting policy.

In developing these policies, the Strategy Group will solicit and consider input and recommendations from the Local and Regional Partnership Teams. In making these recommendations, the Local and Regional Partnership Teams will collect and analyze data regarding the nature and scope of regional and local subcontracting.

[E] Nothing in this section is intended to supplant or replace more restrictive subcontracting provisions contained in existing local contracts or issues currently being processed within those provisions or negotiated subcontracting policies made at the local level.

1. ISSUE RESOLUTION AND CORRECTIVE ACTION PROCEDURES

An effective means of resolving issues is fundamental to the long-term success of the Labor Management Partnership. Solving workplace concerns quickly and by those most directly involved is essential to reducing conflicts, grievances, and patient/member complaints. It will also contribute to better relations and a more constructive work environment. Issue Resolution and Corrective Action procedures work in tandem to achieve these outcomes. To that end, the procedure has two components:

A system for raising and quickly resolving workplace issues using interest-based problem solving by those directly involved with the issue and

A method of resolving performance and behavior issues in a non-punitive fashion in which employee, supervisor and Union representatives work together to identify the problem and craft the solution.

The Issue Resolution and Corrective Action Plan

Summary of Issue Resolution:

Issues are raised at the work unit level and the stakeholders within the work unit will meet to attempt to resolve the concern. Issues unresolved at the work unit level are reviewed by the local Partnership Team. If the concern continues to remain unresolved, the issue can be referred to the Regional Partnership Team for resolution. Issue Resolution is an alternative to, but does not replace the Grievance Procedure.

Summary of Corrective Action:

The Corrective Action Plan has five levels: Oral Reminder, Individual Action Plan, Corrective Action Plan, Day of Decision and Termination. The first two steps are informal with no documentation in the personnel file. There are no warning letters or suspensions. The goal is to jointly correct the performance or conduct, rather than punish the employee. An employee who disputes any action at any level under this procedure, shall have the right to file a grievance.

Implementation of the Procedure:

By no later than April 1, 2002, Regional/Service Area Partnership Teams should have in place the following, which will replace any existing procedures:

A jointly developed and adopted Issue Resolution and Corrective Action Procedure which, although it can be locally customized, is consistent with the National Issues Resolution and Corrective Action Plan. The Plan should be obtained from the Office of Labor Management Partnership.

Managers, stewards, and Partnership Team members trained in interest-based problem solving and corrective action procedure.

A thorough orientation in how to access and utilize the procedures for all covered employees.

The procedure must be implemented simultaneously throughout an entire Service Area or Region after all the required training and orientation has been accomplished.

To address matters pertaining to the National “Responsible Reporting” initiative, interim measures may be necessary while the above-mentioned Issue Resolution and Corrective Action Procedures are jointly crafted and employees, stewards, and managers trained in their use. Patient care errors should be separated from other performance issues and be processed in accordance with the Responsible Reporting guidelines and not by utilizing traditional disciplinary procedures.

2. PARTNERSHIP AGREEMENT REVIEW PROCESS

[Applicable to Section 2 and Section 3 as noted]

After sharing information and fully discussing and exchanging ideas and fully considering all views about issues of interest and concern to the parties, decisions should be reached that are satisfactory to all.

However, it is understood that the parties may not always agree. Disagreement at the facility level which arises out of the interpretation and/or implementation of Section 1, should be referred to the local level Partnership Team for discussion in an attempt to reach a consensus decision. If it is unresolvable at the local level, the Regional Partnership Team must address and attempt to resolve the issue at its next scheduled meeting but no later than 30 calendar days following its referral. The Regional Partnership Team will, after careful review of all facts and interests, craft a consensus decision designed to resolve the issue.

If consensus proves impossible, the matter may then be referred to a national panel comprised of two union and two management members of the Labor Management Partnership Strategy Group, along with a predetermined neutral designee selected by the Strategy Group. The panel will be designated immediately upon receiving a request. The panel will meet, confer and ultimately craft a solution within 30 days unless the time is extended by mutual agreement. It is the responsibility of the neutral designee to ensure that a final resolution to the issue is crafted. The resolution will be final and binding on all parties. The Strategy Group members selected should be from among those least vested in the substance of the disagreement. Questions involving interpretation of the National Agreement may also be submitted to this Review Process by national parties.

► F. TERM OF THE PARTNERSHIP

In recognition that the substance, as well as the spirit and intent, of this Agreement is largely dependent upon the existence of the Labor Management Partnership, the labor and management signatories commit to continue participation in and support of the Partnership throughout the term of this Agreement.

While the Labor Management Partnership Agreement, inclusive of clarifying addenda of Employment and Income Security and Recognition and Campaign Rules, provides for a sixty-day notification period for either of the parties to disengage from the partnership relationship, the Review Process in Section 1 of this Agreement substitutes said notification with an alternative process of reviewing and resolving issues that could otherwise individually or collectively result in the dissolution of this partnership.

Notwithstanding the parties' commitment to this ongoing relationship, there may be instances where either side may engage in such egregious non-partnering behavior that the corresponding partner takes unilateral action and may also withdraw some or all of the partnership privileges extended to the other party. Such conduct, unilateral action or withdrawal could likewise be submitted to the Review Process for determination and resolution.

Until the partnership relationship matures, the parties recognize that, on occasion, either party may engage in behavior that conflicts with partnership principles and elicits corresponding behavior from the other party. It is expected that this Review Process could also be instrumental in providing guidance to the parties for the future.

Although the commitment to use the Review Process as the alternative to serving a sixty-day notice of termination of the partnership agreement runs concurrently with the National Agreement, the Labor Management Partnership Agreement continues in effect and does not terminate with the expiration of this Agreement.

SECTION 2: WAGES AND BENEFITS

[Ongoing Obligations]

▶ A. COMPENSATION

To promote Partnership principles and support our guiding principle that Kaiser Permanente become the “employer of choice” in the health care industry, Partnership employees should receive excellent wages. We recognize, however, that wages alone will not support our “employer of choice” strategy. In addition to wages, we are committed to investing in benefits, workforce engagement, training and development opportunities, and leadership development as critical elements in pursuing this goal.

In valuing and rewarding employees for length of service with Kaiser Permanente, the parties agree that wages should be tenure based. In addition to length of service, the parties agree to consider these factors in developing and adjusting compensation levels: labor market conditions, changes in cost of living, internal alignment, recognition of the value of the Labor Management Partnership, and ability to recruit new employees.

Compensation changes during the term of this contract include three components:

- Annual across-the-board (ATB) wage increases
- Equity adjustments in the first two years of the contract and
- Potential for performance sharing bonuses in the last three years of the contract.

1. ACROSS-THE-BOARD WAGE INCREASES

Effective Date¹	California	Regions Outside California	California RNs²	Regions Outside of California RNs
10/1/00	4%	4%	[See note 3]	6% ⁴
10/1/01	4%	4%	6%	6%
10/1/02	4%	4%	5%	5%
10/1/03	4%	3% ⁵	5%	4% ⁵
10/1/04	4%	3.5% ⁵	5%	4.5% ⁵

¹ Effective beginning of pay period closest to October 1.

² For Southern California RNs include: UNAC (RNs, RNPs, PAs), AFN, KPNAA and Social Service psych RNs.

³ UNAC – 6/00 (2%), 10/00 (6%), 6/01 (2%); AFN – 4/00 (4.4%) [previously implemented], 10/00 (4%)

⁴ OFNHP – 4/00 (6%), 10/00 (1.5%), 4/01 (1.5%)

⁵ Potential to increase up to 4% (5% for RNs) if regional performance targets are met.

2. EQUITY ADJUSTMENTS

Equity dollars are available for a broad range of issues and will be distributed by mutual agreement of the parties at local negotiations. Examples of possible uses of Equity adjustment are two-tier systems (geographic, date of hire), differentials (senior, lead, charge, shift, bilingual), overtime or premium pay, reclassifications, internal or external equity, internal job classification alignment, market-sensitive and hard-to-recruit situations, longevity pay, specialty pay, across-the-board wage increase enhancements, benefits not covered by the National Agreement, and implementation of Bargaining Task Group recommendations, as appropriate.

Year	Northern California	Southern California	Regions Outside California
1	1.5%	.75%	1%
2	0.6%	1.75%	0.5%

The equity percentages listed above are percentages of each local labor union's total payroll, defined as all compensated hours times the weighted average wage rate. Distribution of equity monies is to be negotiated in local negotiations within the guidelines stated above.

3. PERFORMANCE SHARING

Performance Sharing is intended to recognize that, through the Labor Management Partnership, employees and their Unions have a greater opportunity to impact organizational performance and employees should, therefore, have a greater opportunity to share in any performance gains. Performance Sharing is over and above base wage rates and will be based on mutually-agreed-to performance factors and targets. Performance targets will be set by Region and may be based on quality, service, financial performance or other mutually acceptable factors.

If targets are met, Performance Sharing opportunities will be as shown below. All amounts will be based on total payroll for employees covered by the Partnership in each Region:

Year 3-1% payout at target to be paid out in First Quarter 2003, based on 2002 performance

Year 4-2% payout at target to be paid out in First Quarter 2004, based on 2003 performance

Year 5-3% payout at target to be paid out in First Quarter 2005, based on 2004 performance

The National Performance Sharing Program is dependent and based on the implementation of Partnership structures and processes that empower employees to have an impact on the program's targeted factors. To afford employees a reasonable opportunity to earn the above Years 3, 4 or 5 payouts, Partnership structures and processes must reach critical thresholds to support the program. Further, the factors used must be measurable against mutually agreed upon predetermined targets. The resources for the National Performance Sharing Program will be achieved through enhanced organizational performance.

As the Labor Management Partnership continues to grow and evolve, an important element is to ensure that employees share in the success of the organization as enhanced performance is achieved through the Partnership. Specifically, all Partnership employees will participate in a National Performance Sharing Program, which provides an annual cash bonus based upon Regional performance in the areas of quality, service, financial health and other mutually acceptable factors. To that end, during the first quarter of 2001, the Strategy Group shall appoint a joint Labor Management Partnership Work Group to develop a National Performance Sharing Program. The jointly designed Program will reward partnership employees for reaching mutually agreed upon Regional targets.

In developing the new National Performance Sharing Program, the design Work Group will adhere to the following agreements reached during Common Issues Bargaining:

All Kaiser Permanente employees covered under the Labor Management Partnership Labor Agreement shall participate in the Program. This includes full-time, part-time, short-hour, casual, on-call and per diem employees.

Other incentive, gain sharing or reward programs may currently cover some Labor Management Partnership employees. In such cases, employees may not receive a payment from the National Program in addition to a payment from a current program. Instead, employees shall receive the higher of either the new National Program or their current program.

At any time during the term of this Agreement additional sub-regional plans may be mutually developed. In these instances, the covered employees will not receive a payment from both programs, but will receive a payment from the program that provides the highest payment.

The Program year shall be the calendar year, with mutually agreed upon Regional targets set at the beginning of each year. The Program shall run for the calendar year with final results determined and payments issued during the first quarter of the year following the end of the Program year.

The Performance Sharing Program will establish mutually agreed upon Regional targets with a bottom threshold (minimum payment) and an upper limit stretch target (maximum payment) in the areas of quality, service, financial health and other mutually acceptable factors. Each Region will establish a process to develop mutually agreed upon targets with thresholds and maximums. To the extent appropriate and if mutually agreeable, Regional targets should be aligned with, and may be identical to, physician and managerial incentive targets. The percentage payouts listed above will be paid for achieving performance at targeted levels. Proportional payouts (i.e., higher or lower than listed above at target level) will be made for performance achieved that is either above or below targeted levels.

Employees must be in job classifications covered by the Labor Management Partnership Labor Agreement during the Program year and be an active employee on December 31st to receive a payment under the National Program for that year. However, employees who retire during the Program year or prior to the payment date or transfer to another Kaiser Permanente job classification not covered under the Partnership Labor Agreement shall receive a pro-rated payment based upon compensated hours attained during the Program year in a job classification covered under the Partnership.

While the actual targets may be different from Region to Region, the factors used (i.e., quality, service, finance, etc.) and the cash opportunity for reaching each of the targets shall be consistent across all Regions.

The design of the National Program and the setting of annual targets shall enhance service and quality of care.

Targets should be set to stimulate and reward improvement; however, from Region to Region there must be a reasonable and relatively equal opportunity to reach each of the targets.

The Strategy Group, or other joint committee appointed by the Strategy Group, shall annually review the targets set in each Region to ensure relative equity in achieving the targets across the Regions.

Distribution of the Performance Sharing pool will be calculated as a percentage of the Regional total payroll, defined as total compensated hours times the established Weighted Average Rate (WAR) for all employees represented by local unions who are party to this agreement.

Payouts will be made in the form of lump sum bonuses proportional to the compensated hours of each employee. However, employees with 1800 compensated hours or more in the program year shall be considered full time employees for the purposes of the Performance Program and have their hours capped at 1800 hours. Employees with compensated hours less than 1800 hours shall receive a bonus pro rated for compensated hours.

The joint Work Group shall complete the design of the National Performance Sharing Program and submit it for final approval to the Strategy Group, or other joint committee appointed by the Strategy Group, by end of the second quarter of 2001. The National Program shall be based on performance targets for calendar year 2002 with payment opportunity during the first quarter of 2003 and yearly thereafter.

1. MEDICAL BENEFITS

a. BASIC COMPREHENSIVE PLAN

The parties agree to jointly request that Kaiser Foundation Health Plan, Inc. (KFHP) identify them as a national purchaser of health care benefits (“national group”), and that one or more marketing account managers be assigned to the national group. Upon granting of this status, the Employers and the Coalition of Kaiser Permanente Unions will each designate a senior representative to be responsible for managing the account on behalf of the Employers and the Partner Unions (“partnership benefit representatives”). Their responsibilities will include, but will not be limited to, working with KFHP, Inc. concerning the initial design of the national benefit plan, and working with KFHP, Inc. concerning any changes in benefits or benefit coverage contemplated by KFHP, Inc. The parties agree that any such discussions should be initiated no less than eight months prior to the effective date of any proposed changes, and that such discussions should be concluded no less than six months prior to the effective date.

Upon granting of national group status, the partnership benefit representatives shall meet promptly with KFHP, Inc.'s marketing account managers to finalize the Basic Comprehensive Medical Plan (“Basic Plan”) for employees covered by this Agreement. The Basic Plan shall be based on a “Kaiser Foundation Health Plan Traditional HMO Plan”. The parties understand that some variation in benefits may be necessary, but the intent is to achieve national uniformity where possible.

The parties agree that beginning January 1, 2001 the Basic Plan shall include outpatient and hospital and other services in addition to the following features:

- Expand quantity of dispensed prescription drugs beyond 30 days for up to 100 days/3 months for maintenance medications, barring state statutory or other legal or technical barriers
- Eligibility: 20+ hours (Colorado flex impact 20+ /wk 100% allocation for mid-level plan)
- Effective Date: 1st of month following eligibility
- Dependents (spouse, domestic partner, unmarried children up to 25, special dependent) and
- Coverage for Durable Medical Equipment (DME): add a benefit to the Health Plan coverage which matches the DME benefit provided to other KP employee groups in the region.

The parties agree that all local plans shall remain in effect as negotiated locally until the commencement of the 2002 Plan Year or sooner, at which time the Basic Plan shall supercede and replace all local plans. Flexible benefit programs in local labor agreements, amended to reflect the features above, will remain unless another plan is implemented by mutual agreement.

Effective October 1, 2000, the employee benefits, co-pays and premium shares paid by the employee established in the local plans shall be maintained for the life of this Agreement. Disputes arising under this provision will be handled in accordance with Section One, Article E, Problem-Solving Processes.

Effective October 1, 2000, the premium shares in the Northwest Region will be reduced to pre-1996 levels.

Effective October 1, 2003, the premium shares in the Mid-Atlantic Region will be reduced by 50% of the current levels. The parties may agree to a more favorable premium sharing plan that shall be funded by Year 2 Equity Adjustment funds.

b. PARENT COVERAGE

Parents and parents-in-law of eligible employees residing in the same service area will be able to purchase Health Plan coverage, pending legal review for compliance.

c. HEALTH CARE SPENDING ACCOUNT

Effective January 1, 2001, all employees will be offered the following:

A Health Care Spending Account (HCSA) option will be provided to employees eligible for benefits.

This account is a voluntary plan that allows the employee to set aside pre-tax dollars to pay for eligible health care expenses. The maximum HCSA annual contribution will be \$3,000. HCSA may be used to pay for certain expenses for the employee and eligible family members as permitted under IRS Code.

d. FLEXIBLE BENEFIT STUDY

An important consideration in attracting and retaining a changing workforce is the benefit package and our mutual need to ensure that the high financial commitment toward benefits are structured in a manner which delivers high value to both current and prospective employees. Kaiser Permanente and the Partnership Unions have a mutual interest in maximizing employee satisfaction and supporting successful recruitment and retention of employees by examining creative options for the delivery of employee benefits.

The parties have committed to a Labor Management Partnership study to evaluate best practices and recommend an approach that will increase employee satisfaction in the benefits, which constitute an important and costly portion of total compensation. Both parties agree that flexible benefit delivery mechanisms will be thoroughly examined as part of the study.

The Strategy Group shall appoint a joint workgroup within 60 days of ratification, to commence work on this study. The workgroup will deliver findings and recommendations to the Strategy Group no later than April 1, 2001.

The work group will:

Explore benefit options that neither add nor decrease current costs to the organization

Ensure that as benefit costs escalate, the Employer will bear the costs as in prior plans

Develop options that give employees the opportunity to select high, medium and low medical and dental plan options

Develop options that give employees the opportunity to enhance existing benefits (e.g., vision, life insurance, income protection, etc.)

Develop options that give employees the opportunity to select increased income protection (short-term disability, long-term disability, life insurance, etc.)

Develop options that give employees the opportunity to select new benefits not previously provided (long-term care, chiropractic, orthodontia, etc.).

In completing this study, the work group will consider options that increase employee choice and provide creative benefit options in an affordable manner. Any option that may be offered requires mutual agreement before implementation.

2. RETIREMENT BENEFITS

a. JOINT DEFINED CONTRIBUTION/DEFINED BENEFIT STUDY

Labor and Management agree that it is important to provide long service employees with an adequate level of income replacement at retirement. We also believe our retirement program should support recruitment of new employees, improve retention of existing employees, and enhance overall employee satisfaction with their benefits.

We believe this can be accomplished through the consideration of a retirement program that includes Social Security, an employer-provided defined benefit pension plan, and a defined contribution plan. Coupled with education and information, this program would be intended to encourage the participation of all employees in personal investment choices and planning to better prepare them for retirement.

The study is expected to address the interests of Labor, Management and employees. Therefore, the parties have committed to a Labor Management Partnership Project to evaluate best practices and existing programs and recommend a design that meets both our interests and the diverse needs of the workforce.

Any revisions to the current Pension Plans resulting from the study will be jointly developed and must be mutually agreed upon.

b. COMMON RETIREMENT PLAN

A Labor Management Partnership Committee composed of four members, two union and two management, will be formed. Two of these members will also participate on the Joint Defined Benefit/Defined Contribution Study committee mentioned above. This committee will consider the implementation of a modified common multiplier and early reduction factor for the defined benefit plans. The multiplier evaluation will occur within year two of the contract. Any retroactive application for employees retiring between October 1, 2000 and the implementation date of the plan change will be determined by the committee. The early reduction factor evaluation will occur within year three of the contract.

Any retroactive application of the early reduction factor for employees who retire on or after January 1, 2002 will be determined by the committee.

Any revisions to the current Pension Plans recommended by the committee will be jointly developed and must be mutually agreed upon.

Effective October 1, 2000, any existing caps on the defined benefit multiplier will be removed.

c. PRE-RETIREMENT SURVIVOR BENEFITS

Under the pension plans, a pre-retirement survivor benefit is payable to the spouse of a deceased employee. The survivor benefit will be expanded to include domestic partners and/or qualified dependents of employees.

Domestic Partner Benefits Under the Pension Plan

Under the pension plans, a survivor benefit will be payable to an employee's designated domestic partner upon the employee's death. An affidavit must be completed whereby the domestic partner and employee certify that they:

- Live together, sharing the same living quarters as their primary residence, in an intimate, committed relationship of mutual caring
- Have no other domestic partner at the time of the Participant's death
- Are responsible for each other's basic living expenses during the domestic partnership
- Are not married to anyone
- Are each 18 years of age or older
- Are not related to each other as a parent, brother or sister, half brother or sister, niece, nephew, aunt, uncle, grandparent, or grandchild and
- Have not been covered by Kaiser Permanente-sponsored benefits with another domestic partner at any time during the last six months.

Non-Spouse Survivor Qualified Dependent

Under the pension plans, survivor benefits will be payable to a qualified dependent. A qualified dependent is one or more individuals who, at the time of the employee's death, meet the definition for a dependent as defined by Section 152(a)(1) of the Internal Revenue Code. The amount of the monthly benefit will be based on the employee's accrued benefit as of the date of death or retirement, whichever is earlier, and will be determined as if the employee had retired on the day before death, and had elected the Guaranteed Years of Payment method for 120 months with the qualified dependent as beneficiary.

If a spouse or domestic partner and a qualified dependent survive the employee, the spouse or domestic partner will receive the survivor benefit. If the employee is survived by a spouse or domestic partner and a qualified dependent and the employee's surviving spouse or domestic partner dies before the tenth anniversary of the employee's death, the qualified dependent will receive a monthly benefit effective the month following spouse's death and ending on the tenth anniversary of the employee's death.

d. GATT AMENDMENT

Effective January 1, 2000, pension plans will be amended to move to the GATT interest rate (the average yield on 30-year Treasury Constant Maturities) and mortality tables (GAM 83). All benefits under the plans will be calculated using GATT provisions. The interest rate for payments will be determined monthly and will be based on the Treasury yield from two months earlier.

Payments made during 2000 will continue to be based on the greater of the applicable monthly GATT rate using the two-month look-back (e.g., payments each month will be based on the Treasury yield from two-months earlier) and GAM 83; GATT rate for January, 2000 and GAM 83; and January, 2000 annual PBGC rate and UP-84.

e. RETIREE MEDICAL BENEFITS

A Labor Management Partnership Committee composed of four members, two union and two management representatives, will be formed. This committee will meet no later than January 1, 2003 to consider modification of the eligibility for retiree medical benefits for Northern California partner employees based on the criteria that apply to Southern California employees.

The leaders of Regions Outside of California (ROC) and the leaders of their partner unions will meet no later than October 1, 2003 to examine the possibility of initiating or modifying eligibility for post retirement medical coverage, depending on individual regional performance.

Any revisions to the current retiree medical benefits will be jointly developed and must be mutually agreed upon.

3. OTHER BENEFITS

Effective January 1, 2001, all employees will be offered the following:

a. DEPENDENT CARE SPENDING ACCOUNT

A Dependent Care Spending Account (DCSA) option will be provided to employees eligible for benefits. This account is a voluntary plan that allows the employee to set aside pre-tax dollars to pay for eligible dependent care expenses. The maximum DCSA annual contribution will be \$5,000. DCSA may be used to pay for certain expenses for eligible family members as permitted under IRS Code.

b. SURVIVOR ASSISTANCE BENEFIT

The Survivor Assistance Benefit will cover employees who are eligible for benefits. This benefit will provide the employee's chosen beneficiary(ies) with financial assistance upon the employee's death. The amount payable is equal to one times the employee's monthly base salary (pro-rated for part-time employees based on regularly scheduled hours). Should death occur while the employee is on a leave of absence of less than one year, the beneficiary(ies) will continue to be covered by this benefit.

4. REFERRALS TO THE STRATEGY GROUP

In order to maximize the value of retirement and other benefits, employees should be educated periodically throughout their careers to better understand and utilize the benefits provided and to assist in effective retirement planning. The Strategy Group will appoint a committee to develop the content and materials for an education program for all Kaiser Permanente employees.

Phased-Retirement: We agree that the Partnership should work to develop enabling legislation and a business case to support phased-retirement.

A representative of the Coalition of Kaiser Permanente Unions will be designated to serve on the Investment Committee of the Kaiser Permanente Pension Plans.

By November 1, 2000, a subcommittee will recommend resolutions to the following issues:

Group 3000: Eligible retirees residing within a KFHP service area but outside the Region in which they were employed;

Out-of-area: Eligible retirees residing outside of a KFHP service area;

Medicare Risk Plan Participation requirements for retirees eligible for retiree medical; and

Workers Compensation: Whether or not workers compensation should be counted toward retirement or retiree medical eligibility.

Mutual Review and Resolution Processes

[For Sections 2 and 3]

The Parties agree that any dispute concerning interpretation or application of Section 2 or 3 of this National Agreement should be first addressed at the local level by the parties directly involved in the dispute. Such disputes should be initially handled in accord with the grievance procedure set forth in the applicable Local Agreement. Any resolution of the dispute at the local level shall be non-precedent setting.

If no resolution is achieved at the Regional step of the applicable Local Agreement's grievance procedure, within 15 days after receiving the Regional response the moving party may submit the dispute to a National Review Council (NRC). The National Review Council will be composed of one permanent representative designated by the Union Coalition and one permanent representative designated by Kaiser Permanente organizations. The NRC will meet within 10 days after receiving the dispute in an effort to achieve a satisfactory resolution. The NRC will notify the parties, in writing, of any proposed resolution. Unless otherwise mutually agreed by the parties, any resolution shall be non-precedent setting. If no proposed resolution is achieved, or if the moving party does not accept the resolution proposed by the NRC, then the moving party may submit the issue to arbitration within 15 days after receiving notice of the proposed resolution. Arbitration shall be conducted in accord with the procedures set forth below.

Arbitrations shall be conducted before panels consisting of two Union representatives, two Employer representatives and one neutral, third-party arbitrator who will serve as the panel chair.

Within 30 days after ratification of this National Agreement, the Parties will designate a list of seven arbitrators (one from the East, one from the Rocky Mountain area, two from the Northwest and three from California) to serve as panel chairs in their respective geographic areas. The parties will reach mutual agreement on arbitrators based on their common experience with arbitrators in each geographic area. Arbitrators selected shall be provided an orientation to the National Labor Management Partnership and the principles and philosophy of this National Agreement.

Each arbitrator shall provide at least three days in a calendar year for panel hearings, so that the panels chaired by each arbitrator shall be scheduled to convene at least once every four months. A panel date may be cancelled no more than 4 weeks in advance if there are no cases to be heard by that panel on the scheduled date. Additional dates may be added based on the caseload and the need for timely resolution; in such circumstances, the parties will give strong consideration to assigning the case to a panel for a particular geographic area whose arbitrator is able to provide the earliest available date.

Cases will be assigned to each arbitration panel by mutual agreement of the parties at the national level. More than one case may be presented to a panel at each session, and the parties will use their best efforts to assure that cases are presented within the same calendar quarter; preferably within 30 days after the referral to arbitration.

The order and manner of case presentation shall be consistent with the expedited procedures currently used

by Local parties pursuant to their Local Agreement. Decisions shall be rendered by a panel majority, and written Opinions and Awards shall be prepared by the neutral arbitrator. The panel decisions shall be final and binding, and written decisions shall issue within 30 days after the hearing is closed. The panel decision shall be precedent-setting, unless otherwise mutually agreed by the parties prior to the hearing.

Time limits may be extended by mutual agreement. At any time prior to issuance of a panel Opinion and Award, the Parties at the National level may agree to remand a dispute to an earlier step of the process.

The arbitrator and arbitration panel shall not be authorized to add to, detract from, or in any way alter the provisions of the National Agreement, the Partnership Agreement, or any Local Agreement.

The arbitrator's fee and all incidental expenses of the arbitration shall be borne equally by the parties; however each party shall bear the expense of presenting its own case and expenses associated with its party panel member(s).

SECTION 3: SCOPE OF THE AGREEMENT

▶ A. SIGNATORIES

This Agreement is entered into this first day of October, 2000 by and between the labor organizations participating in the Coalition of Kaiser Permanente Unions (Union Coalition) and signatory hereto (collectively, "Unions" or individually "Union") and the undersigned organizations participating in the Kaiser Permanente Medical Care Program ("Kaiser Permanente"; collectively "Employers" or individually, "Employer").

▶ B. COVERAGE

This National Agreement applies only to bargaining units represented by Local Unions that Kaiser Permanente and the Coalition of Kaiser Permanente Unions mutually agreed would participate in the national common issues bargaining process and who, prior to the effective date, agreed to include this National Agreement as an addendum to their respective Local collective bargaining agreements. Application to any other bargaining unit, other than newly organized bargaining units as described below, will be subject to mutual agreement of the parties.

The parties agree that when a Local Union signatory to this National Agreement is recognized to represent a new bargaining unit composed of employees of an Employer pursuant to the provisions of the Labor-Management Partnership Agreement and the Recognition and Campaign Rules, the Local parties shall use an interest-based process to negotiate the terms of a Local Agreement and the appropriate transition to the National Agreement.

▶ C. THE NATIONAL AGREEMENT AND LOCAL AGREEMENTS

Provisions of Local Agreements and this National Agreement should be interpreted and applied in the manner most consistent with each other and the principles of the National Partnership. If an irreconcilable conflict exists between specific provisions of a Local Agreement and this National Agreement, the dispute shall be resolved pursuant to the dispute resolution process contained in Section 1.

If there is a conflict, unless expressly stated otherwise, the National Agreement shall supercede the Local Agreement; however, in cases where a Local Agreement contains explicit terms which provide a superior wage, benefit or condition, or where it is clear that the parties did not intend to eliminate and/or modify the superior wage, benefit or condition of the Local Agreement, this National Agreement shall not be interpreted to deprive the employees of such a wage, benefit or condition. It is understood that it is not our intent to inadvertently enrich or compound wages, fringe benefits or other conditions or to create opportunities for "cherry picking," "double dipping," etc.

► D. TERM OF AGREEMENT + EXPIRATION OF LOCAL BARGAINING AGREEMENTS

This National Agreement and its terms shall be effective on October 1, 2000 and end on September 30, 2005.

The local agreements covered by and incorporating this National Agreement as an addendum shall be extended by five years.

The following shall apply in the event that the National Agreement is not renewed at the end of its term.

Group I

Local bargaining agreements that have expired or will expire on or before September 30, 2000 (Group I) will continue during the term of the National Agreement, and expire on September 30, 2005.

Group II

Local bargaining agreements that have expired or will expire between October 1, 2000 and January 31, 2002 (Group II) will be extended by five years, and as a result will expire between October 1, 2005 and January 31, 2007. Employees covered by Group II agreements will receive a wage increase on October 1, 2005 of not less than 3% across-the-board (ATB) in recognition of the extended expiration date. The 3% may be increased by an escalator method based on the Bargaining Task Group wage philosophy factors recommended to the Common Issues Committee on July 6, 2000. The method will be determined no later than April 1, 2001. The method and its application will be subject to resolution in the review process in Section 1 of this National Agreement.

Group III

Local bargaining agreements scheduled to expire on or after February 1, 2002 (Group III) will be extended by five years, and as a result will expire on or after February 1, 2007. Group III agreements will be reopened on a staggered basis between October 1, 2005 and April 1, 2006. The actual dates to reopen each local agreement will be determined no later than April 1, 2001. Group III reopener settlements will apply up to the extended expiration date of the agreement or for a new full term as determined in local bargaining.

► E. LIVING AGREEMENT

The parties acknowledge that during the term of this National Agreement, a party at the National level may wish to enter into discussions concerning subjects covered by this National Agreement or to modify specific provisions of this National Agreement or a party at the Local level may wish to enter discussions concerning subjects covered by the Local Agreement or to modify specific provisions of the Local Agreement. The parties agree that neither a Union nor any Kaiser Permanente entity shall refuse to engage in such discussions. The parties further agree that, consistent with the Partnership principles set forth above, they will engage in such discussions with the intent to reach mutual agreement; however, during the term of this Agreement, no party shall be required to agree to any modifications of either the National or Local Agreement.