



2008 Common Issues Committee

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KP and Union Coalition leaders kick off "reopener" negotiations

More than 40 Kaiser Permanente and Union Coalition leaders met July 7 and 8 to reopen the 2005 National Agreement and bargain on two important issues: wage adjustments and retiree medical benefits.

Under the agreement, the contract "reopener" allows the parties to review those two issues—and only those issues—for the remaining two years of the agreement.

With the help of noted economists, academicians and union, health plan and physician leaders, who spoke on the state of the economy and of the partnership and Kaiser Permanente itself, the session laid the groundwork for the negotiations. Actual bargaining will take place August 4 to 8 in Oakland by a Common Issues Committee of union, physician and health plan leaders. The CIC is made up chiefly of the same people who bargained the 2005-2010 Agreement).

Building on common interests

With the economic trends and performance results in mind, the participants reviewed the distinctive "interest-based" process they'll be using for the August negotiations. They identified the respective union and management interests—the underlying needs or concerns that each group brings to the table—and, importantly, they also began identifying some of the shared interests that can provide the basis for a mutually beneficial agreement.

Shared interests identified so far by the group include:

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

How 2008 Bargaining Will Work

As in 2005, the reopener bargaining process will be open, well structured and conducted in the shared interests of labor, management and physicians. But the scope, duration and impact of the negotiations will be far less significant than in 2005. Negotiations will be handled by a Common Issues Committee of health plan, medical group and union leaders. Per the National Agreement, CIC membership is carried over from 2005, with changes only for people who have left KP or their unions, or for bargaining units that have changed. The CIC will meet for just one round of bargaining, August 4 to 8. The agreement would be reviewed and ratified by Kaiser Permanente and the Union Coalition over the following four to five weeks.

The process of identifying shared and separate interests will continue in the talks in August.

A shared vision

"Before coming to Kaiser Permanente I was at another health care organization and got very tired of the drain of resources with grievances, fighting, and the constant threat of strikes," said Mary Ann Thode, senior vice president, Office of Labor Management Partnership. "I knew there had to be a better way to do business. We've shown that there is. We've negotiated two national agreements, and now with the reopener, each of us again has to take on each other's interests—we wear both hats during these negotiations if we're going to be successful. That is a very different approach than most organizations take."

"There is a broad spectrum of employers, workers, and health plans in this country but there is only one Kaiser Permanente and there's only one that's chosen to go down the road of partnership," said John August, executive director of the Union Coalition. "It's a path to guide us through the constantly changing and unpredictable world in which we live. Jack Cochran likes to say that 'KP is the greatest private social asset in the US,' and I agree. We have an obligation to get this right. We must own each other's issues."

Setting the context for talks

Key takeaways from some of the opening-day speakers follow.



Jack Cochran MD, executive director, The Permanente Federation, on the state of health care in the US:

"Our success has never been more important to this country,"

said Dr. Cochran.

- Per capita health care spending in the US is more than \$7,000 a year—double what other developed countries spend. But we're 37th in the world in terms of outcomes, according to the World Health Organization.



continued from front

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- Kaiser Permanente, with its integrated model of care, innovative use of technology, and committed staff and physicians, provides an alternative model of care: "In the US, the voice not represented is the patient. But at KP we can do that, we can make the voice of the patient heard."
- When it comes to having a voice in health care reform, "performance gets you the podium.... We've got to stop loving our potential and start living our potential."
- Positive change at KP requires "complex conversations and sharing the context" of where we are today and where we need to be.



Professor Ken Jacobs, chair of the University of California's Labor Research & Education Center, on US economic trends:

"We're seeing a squeeze on working families," said Jacobs.

"Their buying power is down. Wage growth is weak. Employment is down. And don't expect a quick recovery." More specifically:

- Productivity has increased steadily in the US, but average wages have stagnated since the mid-1970s. Real wages across all industries did not increase from 2005 to 2007.
- Job-based health care coverage is falling as health insurance premiums rise; although 82 percent of union-represented workers still get health coverage through their employer, only 66 percent of nonunion employees do.
- More than 50 percent of all economic growth between 1973 and 2005 went to the wealthiest 10 percent of Americans; most of that went to the top 1 percent.



Bernard Tyson, executive vice president, Health Plan and Hospital Operations, on Kaiser Permanente's current performance:

"We have tremendous assets: 150,000 great people. A great management team. Our Labor Management Partnership," said Tyson. "We also have tremendous challenges." A few examples of the mixed picture:

- We have invested heavily in our medical centers—in staffing, technology; capital

improvements, and competitive wages and benefits. But we are lagging on service. We're improving, but the rest of the market is improving, too, in some cases faster than us.

- Health plan purchasers will accept some service gaps if we can provide a 15 to 20 percent price advantage, but we have lost most of that price advantage in recent years.
- We're not growing membership as fast as we need to.
- Employee engagement, commitment and satisfaction are high. The People Pulse survey's "people index" rose to a 75 percent positive rating in 2008, up from 68 percent in 2005. (The survey also showed that employees who are most involved in LMP activities have the most favorable scores on workplace items such as engagement and empowerment.)



Professor Thomas Kochan, of MIT's Sloan School of Management, co-director of the MIT Workplace Center, on the impact of the Labor Management Partnership:

"The LMP is the largest, most innovative such partnership in US history," said Kochan, a long-time observer and co-author of a forthcoming book on the LMP. Among the partnership achievements he noted:

- Two National Agreements, a landmark employment and income security agreement to support the rollout of KP HealthConnect, and, after the bitter disputes of the 1980s and '90s, a decade of labor peace.
- Contribution to KP's financial turnaround over the last 10 years; significantly fewer grievances, increasing job satisfaction and performance improvement.
- KP and our unions are positioned to have a voice in two coming national debates: health care reform and labor law reform. In each case we've shown we have a model for others.

Current challenges include the full rollout of unit-based teams; continuous performance improvement, including in attendance; growing health plan membership; and "getting things done—implementation and follow through."