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The Power of Partnership

**LABOR
MANAGEMENT
PARTNERSHIP
VISION**

*Reaffirmation &
Understandings*

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In the second of two recent retreats (August 21 and November 6, 2002), leaders of Kaiser Permanente and the Coalition of Kaiser Permanente Unions, AFL-CIO completed a pivotal reexamination of the future envisioned under the Labor Management Partnership. After quickly reaffirming the original Partnership vision, calling it “critical to Kaiser Permanente’s success,” we moved into frank and productive talks about a number of process and implementation issues. This booklet is a summary of those discussions.

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INTRODUCTION

In the second of two recent retreats (August 21 and November 6, 2002), leaders of the Coalition of Kaiser Permanente Unions and Kaiser Permanente completed a pivotal reexamination of the future envisioned under the Labor Management Partnership. After quickly reaffirming the original Partnership vision, calling it “critical to Kaiser Permanente’s success,” we moved into frank and productive talks about a number of process and implementation issues.

“There is a critical need to transform our organization quickly, through Partnership, to a high-performing organization.”

The meetings were requested by the Union Coalition to determine whether, after a series of management leadership changes, the unions and management still possessed a shared vision for the Partnership. The meetings were led by KFHP CEO and Chairman of the Board George Halvorson, The Permanente Federation Executive Director Jay Crosson, MD, Union Coalition Executive Director Peter diCicco, Senior Vice President for Human Resources Lon O’Neil, and Vice President for Labor Management Partnership Anthony Gately. Participants included the Kaiser Permanente Partnership Group (KPPG), Regional Presidents, Medical Directors, and union and management members of the Partnership Strategy Group.

As a result of discussions at the Retreat, the Kaiser Permanente Partnership Group (KPPG) and the Coalition of Kaiser Permanente Unions (CKPU) agreed to fully support the LMP as the central operational strategy for fully engaging employees in transforming the organization to achieve the “Pathway to the



KP Promise” strategy. This strategy is based on an assessment of critical threats and opportunities presented by the current health care environment—and the Partnership was deemed essential for succeeding in today’s challenging environment.

Several key themes emerged from the Retreat. One was the critical need to transform our organization quickly, through Partnership, to a high-performing organization. To do this requires us to reach a larger number of front line workers with a “new normal” way of working—one that engages the full range of employees’ skills and experience—to create ongoing quality, service, financial and workplace satisfaction improvements. We must align management and union structures, policies, practices and procedures in order to encourage new behaviors and competencies. We felt that there is a need for increased investment to make the transition to an organization ready to meet strong challenges from our competitors in the hospital, medical, and insurance

industries. This will require a substantial increase in resources from operations, as well as Partnership and internal union sources. We are strongly committed to providing the resources to support organizational transformation through the Partnership. We recognize improved accountability of management and union staff, as well as visible, energetic, high-level leadership and sponsorship, as key components of success. We also agreed to continue to collaborate on public policy initiatives, and added this to the Partnership goals.

The retreat participants charged the Labor Management Partnership Strategy Group with creating a multi-year strategic plan, including milestones, targets, and joint leadership accountability for implementing the Partnership at all levels of the organization. The entire leadership group agreed to meet again in 2003—tentatively in September—to review progress and discuss emerging issues.



THE LABOR MANAGEMENT PARTNERSHIP VISION

Retreat participants agreed that the execution of the LMP Vision was essential to the future well-being of Kaiser Permanente. The health care industry continues to undergo significant and disruptive change. When similar turbulence has been encountered in other industries, the organizations which have emerged as market-leading performers have shared a set of core elements that have served to reinforce one another to create new, high-performing work systems.

The characteristics of these high-performing organizations are embodied in the original LMP “Pathways to Partnership.” They are:

- All employees understand how they contribute to the success of the organization and are motivated to do so.
- Union leaders are fully integrated into the strategic decision-making process and are knowledgeable about the health care environment, budget, and performance issues.
- Decision-making occurs as close to the Health Plan member as practical. The decision-making process includes those affected by the outcome and those who could contribute to the quality of the decision.
- Employees work in teams as appropriate. Teams require minimal supervision and accept accountability for results. The role of managers and union representatives is to provide support to the team.



- Unions and management focus on joint problem-solving at all levels of the organization.
- Employees are engaged in continuous improvement initiatives, with the shared goal of quality care and quality service.
- There is shared leadership and decision-making at all organizational levels.

Kaiser Permanente's success is contingent on our ability to transform our organization. This shared vision compels us to align policies and practices to support the success of the Labor Management Partnership, to provide systems and information to prepare union and management leaders and employees for challenging new roles, and to substantially engage the workforce in making Kaiser Permanente the best. Achieving this will require our collective commitment to unwavering sponsorship, leadership and investment.

LABOR MANAGEMENT PARTNERSHIP GOALS

We also reaffirmed the original six goals of the Partnership while adding a seventh that addressed public policy. The Coalition partner unions and

management have already collaborated on a number of public policy initiatives, such as safe needle legislation and nurse staffing ratios in California. Consequently, collaboration in the public policy area should be continued and expanded, where appropriate.

Therefore an additional, seventh goal was added to the LMP Goals. The goals now include:

- Improve the quality of health care for Kaiser Permanente members and the communities served.
- Assist Kaiser Permanente in achieving and maintaining market-leading competitive performance.
- Make Kaiser Permanente a better place to work.
- Expand Kaiser Permanente's membership in current and new markets, including designation as a provider of choice for all labor organizations in the areas served.
- Provide Kaiser Permanente employees with the maximum possible employment and income security within Kaiser Permanente and/or the health care field.
- Involve employees and their unions in decisions.
- Consult on public policy issues and jointly advocate when possible and appropriate.

CREATING A HIGH-PERFORMANCE CULTURE

Creating a work environment that yields superior performance and job satisfaction will require a cultural transformation. Working on both broad and specific performance initiatives—things that matter to patients, employees and the business—is our primary strategy for changing the culture. Our performance initiatives must help us meet and exceed members’ expectations for quality and service, and must help us remain viable in the marketplace. The transformation will center on how the work is done, but people need to see personal commitment from leaders and changes in practices for the cultural transformation to be credible.

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Three types of initiatives must happen in parallel if the cultural transformation is to succeed:

- **Alignment Initiatives.** Changes to internal management practices, policies, procedures and systems are made to support and reinforce the desired behavior change.
- **Foundation Building Initiatives.** All employees have the knowledge, skill, opportunity and motivation to fully contribute.
- **Performance Initiatives.** Broad initiatives and targeted change efforts that alter the status quo are utilized as a means to jointly create and sustain the new culture.

Each new initiative should move the organization towards the vision of a high-performing organization that is the “new normal” way of working and relating. One tool for moving toward the “new normal” culture



is a description of expected behaviors, practices and results. We must communicate an integrated vision of one culture that embraces all, to ultimately include those employees not in the Partnership.

Sustaining a cultural transformation will entail a broad scope of activities at all levels. To effectively do this will require that union and management leaders jointly create a multi-year strategic plan with critical milestones, timetables and accountabilities.

In defining the activities necessary for cultural transformation, our focus must be on the environment in which employees perform the work that serves the members. In order to engage employees in this mission, they must first understand why improving performance is so important to both organizational success and ultimately their own personal success. They must have a clear picture of what is needed. They must have the knowledge and skill sets needed to successfully perform their new roles. They must have the opportunity to fully contribute. And, they must have the incentive or motivation to do so.

IMPROVING PERFORMANCE

In our Labor Management Partnership vision, Kaiser Permanente is the market-leading performer because it is the best place to work and the best place to receive care.

The relationship between performance and engagement is captured in the Partnership Equation:

Organizational Performance=
Employment Security +
Employee Voice +
Employee Rewards

Through the Partnership, substantial progress has been made in achieving labor goals of security and rewards. While there are some examples in which engaging union members through Partnership has created significant improvements, they are too few in number. We agreed that more is needed to ensure the LMP contributes to performance as measured in terms of quality, service, and financial results. The critical—but missing—element for realizing performance improvements is employee participation at the



workplace level. Union and management leaders must publicly and persistently make the case for performance by setting expectations, defining priorities, identifying those responsible, and holding them accountable. Union leaders' ability to lead on performance improvements will be paced by initiatives that engage their constituents and transform the culture. It is also constrained by the availability and skills of union representatives. While union capacity to partner must therefore be enlarged in order to accomplish our shared goals, we do not have the luxury of waiting until union capacity is fully developed before beginning to address performance issues.

Union leaders are committed to demonstrating leadership on the performance issue. However, we all acknowledged that the workplaces most receptive to engagement are those where there is respect for employees and union representatives; where the union contract is jointly honored and enforced; and where problems are solved collaboratively. We have a joint responsibility for creating a workplace climate that is an essential prerequisite for engagement.

In summary, union and management leaders must:

- Articulate the strategic context that demands improved performance;
- Focus the organization on specific business and clinical opportunities;
- Engage frontline employees to redesign business and work processes;
- Hold their leaders and each other accountable for jointly determined performance outcomes.

DECISION MAKING

“Our shared vision for a high-performance workplace indicates that employees will increasingly make more decisions regarding how the work is accomplished.”

The National LMP Agreement (see Appendix) states that while the degree of participation in the decision making process may vary from issue to issue, two criteria help determine what is appropriate:

- The degree to which either party’s interests are likely to be affected;
- The level of expertise or added value the parties can bring to the decision.

In applying these criteria, the parties must exercise sound judgment—being sensitive to time constraints in matters of great urgency, and cautious about inordinate investment in matters that may be insignificant or frivolous.

The degree of involvement will increase as our ability, relationship and trust mature. Also, by openly and frequently sharing information on a broad range of topics, we will have the opportunity to convey our joint interests and desire to be involved.

Furthermore, the National LMP Agreement states that in the absence of consensus on vital issues, mandatory bargaining subjects will be resolved in accordance with contractual and legal rights. For other subjects, management reserves the sole responsibility and rights for the final decision. In such circumstances, unions retain the right to respond.

However, while not specifically discussed at the Retreat, the 2000 National Agreement* commits the parties to an Issue Resolution procedure that entails multiple levels of problem-solving and review before parties can

*For the full text of this Agreement, see www.LMPartnership.org

abandon the attempt to reach consensus.

The Partner unions should be involved in decision-making at the strategic level as well as workplace level. There should be immediate involvement of Partner unions in the strategic planning process and in the setting of objectives in each Region. In general, mission-critical, highly important strategic projects should be designed and executed under the aegis of the LMP.

At the workplace level, nearly all of the day-to-day decisions will be of some level of interest to employees. For this reason employees should be informed, asked for input, or consulted and engaged on a wide range of workplace decisions that affect their work environment. Our shared vision for a high-performance workplace indicates that employees will increasingly make more decisions regarding how the work is accomplished. Consensus should be sought on workplace decisions involving potential systemic changes in how the work is organized and performed.

L M P D E C I S I O N - M A K I N G C O N T I N U U M



When consensus is being pursued there should be a mutual commitment to finding solutions that balance all stakeholders' interests; otherwise the consensus process becomes a simple right of veto. A critical prerequisite for this commitment is that the labor partners have the capacity to participate meaningfully, which requires availability, education and early involvement in the process. Widespread decision-making can occur only when there exists adequate capacity at the front line.

In order to prevent delays in decisions, union leaders need to delegate decision-making authority beyond that which currently exists.



CONSISTENCY

It is understood that Kaiser Permanente is a decentralized organization in which Regions, of necessity, maintain a great deal of autonomy. Each Region must have the freedom to adjust to local organizational and market conditions. However, equally important is the consistent application of the principles and elements of the Labor Management Partnership.

Whereas Regional management desires flexibility to adjust to local needs and circumstances, unions have an organizational need and desire for consistency and uniformity. Union members expect consistent and equitable treatment and application of the principles and elements of the Partnership across geographies. They compare and contrast what is happening in their workplace to what is happening elsewhere. Therefore, some common platforms and common treatment are institutionally important to the Partner unions and are essential in maintaining a unified coalition as well as capturing the learnings while avoiding repetition of implementation pitfalls.

The desire for consistency and flexibility is not one-sided. Managers are increasingly seeing the advantages of consistency and common systems across the program, such as standardization, scale, and brand consistency. Likewise, union leaders regularly exercise the autonomy of their local unions even as they cooperate within the Coalition.

We understand that the core elements of the Labor Management Partnership principles and practices must be consistent while allowing the regions to remain responsive

to local needs. As implementation and integration of Partnership practices accelerate across the program, finding this balance between the need for consistency and the need for flexibility should occur naturally. On occasion, however, divergent needs will surface and senior union and management leaders will need to provide direction that is respectful of the conflicting interests.

Labor Management Partnership agreements provide benchmarks for practices across the program, such as the National LMP Agreement (see Appendix), the Employment and Income Security Agreement, and the 2000 National Agreement*. Beyond these bedrock agreements, it would help immeasurably to have a clear focus, with well-defined guidelines and objectives, consistently applied program-wide and within each Region. Each year there should be a manageable number of program-wide priorities, with aligned priorities between Regions/Service Areas and program, and defined accountabilities and measures of progress. Workplace safety and joint staffing represent current examples.

*For the full text of these Agreements, see www.LMPartnership.org

LABOR RELATIONS

Labor Relations policy and implementation are generally regarded as a critical foundation element in our Partnership. Logic suggests that a successful Partnership relationship cannot be superimposed on a traditional, adversarial relationship. Fundamentally, Labor Relations strategy, policy, and practice at the Program, Regional and local levels should be integrated into and driven by Partnership principles and processes.

At the workplace, the relationship between the supervisor and steward—how they solve problems, whether or not they respect each other—will determine the ultimate success of the Partnership. If these relationships are strained or defined by mistrust and disrespect, the Partnership will never have an opportunity to take shape. How we manage people, how we solve problems, how we respect each other and our institutional roles are essential foundation pieces at all levels.

The Coalition of Kaiser Permanente Unions is no longer merely a collection of separate and independent unions. While Kaiser Permanente’s labor relations policies and

“The relationship between the supervisor and steward will determine the ultimate success of the Partnership.”



practices have been predominantly localized, the Coalition continues to strive for common platforms, common policies, common benefits, common goals, a common Partnership, and equitable treatment throughout the organization. A goal of the Union Coalition is for employees to have the same day-to-day working experience regardless of where in Kaiser they are employed. Furthermore, as a result of the unity within the Union Coalition, any matter that affects one union almost immediately becomes known to and of potential concern to all other Partner unions. Management recognizes the importance and necessity of having a consistent Labor Relations program and policy across all Regions. Management will address this need primarily through the Regional Presidents Group in the following manner:

- Regional Presidents are accountable to the Regional Presidents Group for consistent application of Kaiser Permanente's Labor Relations program and policies, and impacts of local labor relations decisions on other Regions and the Program as a whole.
- The Regional Presidents will hold their Human Resource and Labor Relations Leaders accountable for the consistent application and implementation of our program-wide Labor Relations program, including policies, strategies and LMP Agreements.
- Regional and Program Labor Relations will confer on appropriate labor relations issues. If unable to reach agreement, the issue will be discussed at the next appropriate level, with stakeholder representation from the Region as well as the Program.

The integration and alignment of Human Resource Leaders and Labor Relations professionals with the Partnership is also an immediate and essential objective.

SPONSORSHIP, ALIGNMENT AND ACCOUNTABILITY

Transforming an organization requires a strong guiding coalition that removes obstacles, aligns internal systems and structures, and encourages risk-taking and new ideas and actions. Leaders must therefore devote significant time, energy, and political capital in visible ways to demonstrate our sponsorship and further the goals of the LMP. We need to establish mechanisms to hold ourselves and others accountable for making the desired changes. In holding others accountable, a distinction must be made between elected and appointed staff in both the unions and the Permanente medical groups. KP and Union Coalition leaders need to reexamine and align their structures, policies, practices, and procedures to assure that they encourage and facilitate the desired behaviors and competencies.

In order to expand the reach of the Partnership in the Regions, managers need to have a better understanding of the Partnership and how it can contribute to their goals and responsibilities as well as the knowledge and skills to effectively engage employees in a participative work environment.



INVESTMENT

“Achieving high performance will require a long-term investment in people.”

Achieving high performance will require a long-term investment in people, recognizing the environment of competing priorities. Where there has been meaningful engagement of union members, the results have been impressive. Research demonstrates that making the transition to a high performance organization can achieve performance improvements in the 30-50% range. Kaiser Permanente and the Coalition unions have made a substantial investment in Labor Management Partnership activities over the past five years in areas such as training, facilitation and development of materials. To date, however, only a small number of employees have been significantly engaged in performance initiatives, which is why there have been few results from the LMP. Capturing these improvements through engagement will therefore necessitate investment that is substantially higher than it has been.

Such additional investment must occur in FY 2003 in order to address the urgent performance issues raised by changes in the health care industry. Therefore, each Region will allocate resources to allow approximately 25% of the workforce to engage in full-scale Partnership activities that: 1) deliver improvements in quality, service, and/or financial performance; and 2) leave union members and managers with the capacity to continue to operate in full Partnership mode. We recognize that it will take much of 2003 to build the infrastructure (such as training, facilitation and project management) to support these initiatives. Accordingly, the engagement will start slowly and increase over the course of the year as infrastructure is built. Funding to support these

purposes in FY 2003 will total approximately \$15 million across the program and will be provided proportionally by each Region.

We will target new investment to provide release time for employees to engage in initiatives to improve performance and the work environment. Working in Partnership typically requires three kinds of activities: initial training, analysis and design, and follow-up to ensure implementation. The investment will be used primarily to cover employee replacement costs so that employees can use some of their work time, away from day-to-day duties, to focus on the initiatives without compromising patient care or unduly burdening their co-workers with an increased workload.

Over the next several years, such investments must be aligned with the Pathway to the KP Promise and the LMP Vision throughout the organization. Therefore, KP and Union Coalition will develop a long-term strategy for such investments as part of each Region's business planning process. Union partners will take part in determining the performance goals—including quality, service, and financial performance—and the resources necessary to pursue them. Investment to support engagement in performance improvement will also be planned as part of major national initiatives such as the new Automated Patient Billing system, workplace safety, and joint staffing. Our investment will be offset over time by returns from the specific initiatives. As we learn to work together on the initiatives, we will be creating the capacity to continue finding new opportunities for improvement. A sustained cultural change will assure continued returns beyond our initial investment.

APPENDIX

National Labor-Management Partnership Agreement, 1997

I. PURPOSE

Health care services and the institutions that provide them are undergoing rapid change. Advances in health care and the explosive growth of for-profit health care businesses present challenges as well as opportunities for Kaiser Permanente, the unions, and the members they represent. Kaiser Permanente and the undersigned labor organizations believe that now is the time to enter into a new way of doing business. Now is the time to unite around our common purposes and work together to most effectively deliver high quality health care and prevail in our new, highly competitive environment.

As social benefit membership organizations, founded on the principle of making life better for those we serve, it is our common goal to make Kaiser Permanente the pre-eminent deliverer of health care in the United States. It is further our goal to demonstrate by any measure that labor-management collaboration produces superior health care outcomes, market leading competitive performance, and a superior workplace for Kaiser Permanente employees.

In this spirit and with this intent, Kaiser Permanente and the undersigned labor organizations agree to establish a Partnership in pursuit of our common goals to:

- improve quality of health care for Kaiser Permanente members and the communities we serve;
- assist Kaiser Permanente in achieving and maintaining market leading competitive performance;
- make Kaiser Permanente a better place to work;
- expand Kaiser Permanente's membership in current and new markets, including designation as a provider of choice for all labor organizations in the areas we serve;
- provide Kaiser Permanente employees with the maximum possible employment and income security within Kaiser Permanente and/or the health care field;
- involve employees and their unions in decisions.

2. PROCESS AND STRUCTURE

SENIOR PARTNERSHIP COMMITTEE: The parties will establish a Senior Partnership Committee (SPC) consisting of Kaiser Permanente executive level staff and senior union leadership designated from the participating International Unions representing employees at Kaiser Permanente and from the Industrial Union Department(IUD), AFL-CIO. The SPC may expand the Partnership to include representatives of other parties as necessary, as agreed to by the labor and management representatives on the SPC. The responsibilities of the SPC are to establish, consistent with the terms and

scope outlined in this agreement, concrete targets, goals, objectives, time lines and other Partnership initiatives. The SPC will meet as often as necessary to discuss strategic issues of the Partnership, manage implementation, and review and oversee initiatives at all levels.

The powers of the SPC do not supersede the legally mandated obligations of the parties such as the duty to bargain over mandatory subjects; the responsibilities and duties of the governing boards of Kaiser Foundation Health Plan(KFHP), Kaiser Foundation Hospitals(KFH), and the Permanente Medical Group's(PMG's) to govern Kaiser Permanente; contractual obligations between KFHP, KFH, and the PMG's, and the duty of the IUD and its affiliate unions to represent the interests of their members.

ACCESS TO INFORMATION: It is the express intention of the parties to freely share information with each other. The parties will have timely access to all relevant and pertinent information necessary to address the purposes of the Partnership.

We agree that information must be broadly and deeply shared in order to maximize the effectiveness of the Partnership. Training and education will be provided to maximize the parties' understanding and utilization of the information.

CONFIDENTIALITY: The parties understand that certain information may be of a very sensitive and proprietary nature, and will need to be held in strict confidence. The IUD, participating union and management officials, and consultants will execute appropriate confidentiality agreements before accessing such information.

Regardless of whether proprietary information is received via the Partnership or by other means, it should not be used to the detriment of the other partner. If information is misused by either party, it will be incumbent upon the partners to investigate the circumstances and invoke appropriate measures.

CONSULTANTS: The parties will jointly select a third-party consultant to assist the Partnership formation and implementation process and to continue with such assistance until such time as the partners agree that these services are no longer required.

PARTNERSHIPS AT OTHER ORGANIZATIONAL LEVELS: It is the vision and intent of the SPC that the Partnership concept will become pervasive throughout Kaiser Permanente. Further, the SPC acknowledges that the involvement of employees from all levels of the organization in appropriate and relevant issues results in high quality decisions beneficial to the continued viability of the enterprise. To this end, as sufficient progress is made by the SPC, appropriate business units will be charged with the responsibility to develop local joint partnerships that meet the SPC targets that fall within the partnership scope described within this agreement. (For purposes of this section the term "business unit" means Division, Region or Market.)

Each business unit partnership will establish a Partnership Steering Committee (PSC) which will develop and monitor the implementation of action plans and initiatives. These PSC's, respon-

sible for cascading the Partnership down through the organization, will develop committees and activities at other organizational levels as they deem necessary, appropriate and timely; subject always to the review and approval of the SPC.

All joint committees created by the Partnership will consist of an equal number of members from the unions and the company or a greater number of union members. The union members of the committees will be selected by appropriate elected union leadership consistent with internal union procedures, and company representatives will be selected by the senior managers of the relevant and appropriate business units. If the Partnership decides to select and use Kaiser Permanente employees as internal consultant-facilitators to assist the committees and the implementation of joint activities, the internal consultant-facilitators will be jointly selected by the unions and company, based on a mutually agreed upon set of criteria. In addition, at least half of the internal consultant-facilitators will be union members.

COSTS OF THE PARTNERSHIP: Following execution of this agreement, Kaiser Permanente will bear the costs of administering the Partnership, including consultants, lost time, and incidental expenses of all Kaiser Permanente employees. Union officials who are not Kaiser Permanente employees will be responsible for their own expenses.

3. DECISION-MAKING

The decision-making process may vary from issue to issue. Nonetheless, it is vitally important to determine the decision-making method with consistently applied criteria. Two such criteria are as follows:

1. the degree to which the parties' constituents or institutional interests are likely to be affected by the decision, and
2. the level of expertise or added value the parties can bring to bear on the decision to be made.

If either party's vital interests are likely to be affected by the decision, consensus should be used. If constituent or institutional interests are even marginally affected, consultation should precede a final decision.

If one party has little, if any interest in the outcome, and no particular expertise on an issue to be decided, informing is adequate. We recognize that choosing the appropriate process is somewhat subjective, and that erring in favor of more rather than less participation by partners in decision-making displays commitment and respect for the Partnership. It is understood that this Partnership may not be sufficiently robust in its early stages to withstand many mistakes in the direction of unilateralism. Consequently, the parties will strive for consensus.

In the absence of consensus, mandatory bargaining subjects will be resolved in accordance with contractual and legal rights. On non-mandatory and non-contractual subjects, management reserves the sole responsibility and right for the final decision.

4. SCOPE

The issue of scope is inextricably tied to decision making. Scope sets the boundaries for the Partnership; what is in play, what is not. The decision-making process describes the procedures for disposing of or resolving the issues deemed within the parameters of the Partnership.

The scope of this Partnership should be broad and should include: strategic initiatives; quality; member and employee satisfaction; business planning; and business unit employment issues.

With respect to quality, we recognize that business units must meet and/or exceed quality requirements of various accrediting and review organizations and the governing boards of KFHP, KFH, and the PMG's. The SPC's quality focus will be on achieving results to meet and surpass these requirements.

Business unit activities will be consistent with principles established at the strategic level.

EXISTING LABOR-MANAGEMENT COOPERATIVE ARRANGEMENTS: These arrangements should be permitted to continue and where possible be enhanced by partnering efforts, provided they are consistent with the terms set forth in this agreement.

CURRENT BUSINESS ISSUES AND PLANS: The parties acknowledge and agree that there are many business initiatives underway whose genesis precedes the formation of this Partnership and that it would be both impractical and detrimental to the viability of the Kaiser Permanente organization to halt or substantially alter these initiatives, some of which are based on multi-year planning and preparation.

Kaiser Permanente will make every effort to educate and fully brief members of the SPC about current business initiatives, business plans and the business environment in which we currently compete. Opportunity for comments, observations and recommendations will be made available to Partnership participants as a part of this process. Business initiatives begun following formal establishment of the Partnership will be managed in compliance with the Partnership process outlined in this document.

5. EMPLOYMENT SECURITY

The Parties acknowledge a mutual obligation and intention to maximize employment security for Kaiser Permanente employees. As such, it is the intent of the parties of the Partnership to avoid the displacement of any Kaiser Permanente employee. We recognize that there could be circumstances when such a commitment cannot be achieved. In such cases, the Partnership will make use of attrition, growth of the business, aggressive job matching, short-term training efforts and other mechanisms agreed upon by the Partnership participants. There will be no loss of employment to any employee because of participation in a Partnership program at the worksite.

6. UNION SECURITY

The parties to this agreement believe that Kaiser Permanente employees should exercise free choice and decide for themselves whether or not they wish to be represented by a labor organization.

Kaiser Permanente has no objection to a union signatory to this agreement becoming the bargaining representative to its people. Where a signatory union becomes involved in organizing Kaiser Permanente employees, the employer will maintain a strictly neutral position.

It is the intention of the parties that employees' desire for exclusive bargaining representation be resolved in the most expeditious manner possible. Whenever a majority of employees in a unit the parties agree to be appropriate express clearly and unambiguously the wish to be represented by a signatory union, Kaiser Permanente agrees to recognize that union. An umpire shall be selected who will have the final authority to resolve ambiguities as to majority status and disagreements as to unit appropriateness.

Kaiser Permanente reserves the right to speak out in any appropriate manner when undue provocation is evident in an organizing campaign. Kaiser will encourage subcontractors, vendors, mergers and alliance partners to adopt the same policy regarding union representation of their employees.

7. MARKETING COOPERATION

Upon the signing of this agreement, all parties will make their best efforts, as opportunities arise, to market Kaiser Permanente to new groups and individuals and to increase Kaiser Permanente's penetration in existing groups. The AFL-CIO, acting in the interest of and in support of the Partnership, will use its influence to the greatest extent possible to assure that union health and welfare trusts and Taft-Hartley trusts operating in, or providing benefits to union members in, areas served by Kaiser Permanente include Kaiser Foundation Health Plan as a unionized health care option available to their members.

8. TERM OF AGREEMENT

Either party may terminate this Partnership agreement with 60 days notice. Neither party will provide this notice without first making every reasonable and good faith effort to discuss and resolve the differences leading one or both of the partners to consider terminating the Partnership.

9. SAVINGS CLAUSE

Should any provision of this agreement be declared by a court or agency of competent jurisdiction to be in conflict with the laws, regulations or common law of the United States of America or the State or local jurisdiction in which the provision is being applied, the remaining portions of this agreement shall remain in full force and effect. In the event of such a declaration, the parties will jointly determine how best to modify this agreement to be in compliance with such law or regulation and with the spirit of this agreement.