

National Agreement

KAISER PERMANENTE

COALITION OF KAISER PERMANENTE UNIONS

October 1, 2005

(L+M)^P
The Power of Partnership

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This is the full text of the 2005 National Agreement.

Related documents, including (a) 2005 National Agreement: A Summary and (b) a pocket-sized, full-text copy of the National Agreement, will be available to order (while supplies last) at www.Impartnership.org/estore/index.html. For voice information about the ordering of this and other LMP materials, call 888-LMP-AT-KP (888-567-2857). For more information about the National Agreement and its implementation, go to www.Impartnership.org or look in your workplace for *Hank* magazine, KP's news magazine for frontline workers, managers, and physicians.

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NATIONAL AGREEMENT

This National Agreement (the Agreement) is entered into this first day of October, 2005 by and between the labor organizations participating in the Coalition of Kaiser Permanente Unions (the Coalition) and the organizations participating in the Kaiser Permanente Medical Care Program (the Program), including Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals (KFHP/H) and the Permanente Medical Groups (collectively Kaiser Permanente or Employers, or individually, Employer), which are signatories hereto.

INTRODUCTION

In 1997, the Coalition and Kaiser Permanente entered into a National Labor Management Partnership Agreement. By involving employees and unions in organizational decision-making at every level, the 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 thirty-three Partnership union contracts.

In 2000, the Common Issues Committee (CIC), made up of union and management representatives from across the country, successfully negotiated a five year National Agreement covering thirty three bargaining units. In 2005, the parties formed a new CIC to bargain this successor Agreement, covering forty-four bargaining units. To inform their work, the CIC chartered nine Bargaining Task Groups (BTGs) in April of 2005. These nine groups were made up of approximately four hundred management and union representatives from across the Program.

The 2005 BTGs were charged with reviewing the BTG recommendations from 2000 and making comprehensive, long-term recommendations in the areas of Attendance, Benefits, Human Resources Information Systems (HRIS) Process Consistency, Performance-Based Pay, Performance Improvement, Service Quality, Scope of Practice, Workforce Development and Work-Life Balance, to make Kaiser Permanente the best place to work and the best place to receive care. Over the course of several months, the BTGs developed compre-

hensive solutions for transforming the work environment. They reported their solutions to the members of the CIC in late June.

Each of the BTGs 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 identified the need to further integrate the Labor Management Partnership into the way Kaiser Permanente does business.

The CIC then undertook the challenge of reviewing and synthesizing the comprehensive and detailed work of the BTGs. Their charge was to determine how best to distill the work of the groups into the Agreement, and at the same time ensure that the work of the groups is carried forward into the future.

The Pathways to Partnership was developed in 1998 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 Agreement continues to set forth new ways to work and new ways to provide care. It enables each person to engage her/his full range of skills, experiences, and abilities to continually improve service, patient care and performance. The 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 this vision, decisions are jointly made by unit based work teams (Unit Based Teams) — giving people who provide the care and service the ability to decide how the work can best be performed. The parties look forward to a time when all eligible employees participate in the Partnership and are covered by this Agreement.

The Labor Management Partnership is supported through the engagement of regional and local partnership teams. In some instances, this document provides specific timeframes required to assure progress toward Partnership goals. The Agreement promotes nationwide consistency by determining wages, benefits, and certain other terms and conditions of employment. It is a blueprint for making Kaiser Permanente the Employer and care provider of choice.

Section 1 of this Agreement covers the privileges and obligations, reflects the continued commitment of the parties, and integrates the work of the BTGs into the Partnership. Specifically, the BTGs provided solutions for improving Performance, Quality of Service and Attendance. They identified the systems needed to sup-

port high performance through Education and Training, Workforce Development and Planning, and Staffing, Backfill and Capacity Building. Lastly, they captured the work environment elements needed to provide for Patient Safety, Workplace Safety, balance between work life and personal life and collaborative examination of Scope of Practice issues. Section 1 provides mechanisms for spreading partnership, collaboration, and organizational transformation throughout our organization. It defines how workers and managers engage in all the areas identified by the BTGs. Section 1 also covers areas such as union security, Partnership governance, and problem solving processes and elaborates on other privileges and obligations of Partnership.

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

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

This Agreement was created through an extraordinary collaboration with the input of hundreds of Kaiser Permanente employees at every level. The Agreement embodies the parties' collective vision for Kaiser Permanente. The language of this Agreement cannot begin to fully capture the energy and collective insights of the hundreds of people working long hours to establish this framework. As work units apply these principles, their commitment and expertise will make the vision a reality.

SECTION 1: PRIVILEGES AND OBLIGATIONS OF PARTNERSHIP

A. COMMITMENT TO PARTNERSHIP

The essence of the Labor Management Partnership is involvement and influence, pursuit of excellence, and accountability by all. The parties 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 employees must 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, the common goals of organizational and individual success and a secure, challenging, and personally rewarding work environment can be attained. With this Agreement, the parties will continue to invest in and support a wide array of activities designed to increase individual employee skills training, learning opportunities, and growth and development.

Section 1 presents an integrated approach to Service Quality, Performance Improvement, Workforce Development, Education and Training, and creation of an environment responsive to organizational, employee and union interests. In addition, it provides a process to solve problems as close to the point at which they arise as possible, respecting the interests of all parties. The Partnership Agreement Review Process in Section 1.L.2. applies to disputes arising out of Section 1, but is meant to be used as a last resort.

With this Agreement, the Coalition 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.

In addition, there is a joint commitment to identify, and by mutual agreement, incorporate our own successful practices and those of other high performance organizations into each facility. The parties 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 AND STRUCTURE

The National Labor Management Partnership Agreement describes the vision of a work place environment where diversity of opinion 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. In 2000, it was recognized that prior to reaching this vision, parallel structures needed to be implemented in order to organize, plan and implement the partnership principles. These structures were meant to be steps toward integration that would change as the Partnership evolved. Indeed, the 2005 National Agreement takes substantive steps toward this integration.

1. PARTNERSHIP STRUCTURES

a. Integration

A variety of Partnership structures exist at the national, regional, service area, facility, department and/or work unit levels. In addition, there are various business structures which attempt to solve the same problem or achieve like goals. Partnership should become the way business is conducted at Kaiser Permanente. In order to achieve this goal, these parallel Labor Management Partnership structures should be integrated into existing operational structures of the organization at every level. This would result in dissolution of parallel labor management committees that are redundant with ongoing business committees (e.g., department meetings, project teams, planning committees). Parallel structures may still be required where there is no existing function, where existing structures are not adequate for a particular function, initiative, or area of

focus, or where they are necessary because of legal or regulatory requirements. New initiatives should include labor participation from their inception.

Integration of labor into the normal business structures of the organization does not mean co-management, but rather full participation in the decision-making forums and processes at every level of the organization as described on pages 14-16 of the Labor Management Partnership Vision: Reaffirmation, and subject only to the capacity of the unions to fully engage and contribute. The parties will work together to ensure that union capacity issues are adequately addressed. The integration process for regional structures should begin immediately and should be completed by January 2008.

b. Unit Based Teams

Engaging employees in the design and implementation of their work creates a healthy work environment and builds commitment to superior organizational performance. Successful engagement begins with appropriate structures and processes for Partnership interaction to take place. It requires the sponsorship, commitment and accountability of labor, management, and medical and dental group leadership to communicate to stakeholders that engagement in Partnership is not optional, but the way that Kaiser Permanente does business.

The 2005 Attendance, Performance Improvement, Performance-Based Pay, Service Quality, and Workforce Development BTGs recommended the establishment of teams based in work units as a core mechanism for advancing Partnership as the way business is conducted at Kaiser Permanente, and for improving organizational performance. A Unit Based Team includes all of the participants within the boundaries of the work unit, including supervisors, stewards, providers, and employees.

Members of a Unit Based Team will participate in:

- *planning and designing work processes;*
- *setting goals and establishing metrics;*
- *reviewing and evaluating aggregate team performance;*
- *budgeting, staffing and scheduling decisions; and*
- *proactively identifying problems and resolving issues.*

The teams will need information and support, including:

- *open sharing of business information;*

- *timely performance data;*
- *department specific training;*
- *thorough understanding of how unions operate;*
- *meeting skills and facilitation; and*
- *release time and backfill.*

Senior leadership of KFHP/H, medical and dental groups, and unions in each region will agree on a shared vision of the process for establishing teams, the methods for holding teams and leaders accountable, and the tools and resources necessary to support the teams.

Implementation of Unit Based Teams should be phased, beginning with Labor Management Partnership readiness education and training of targeted work units, providing supervisors and stewards with the knowledge and tools to begin the team building work. It is expected that Unit Based Teams will be fully deployed as the operating model for Kaiser Permanente by 2010, in accordance with the timeline set forth in the 2005 Performance Improvement BTG report, page 7 (attached as Exhibit 1.B.1.b.).

Stewards and supervisors play a critical role in high performance partnership organizations. Where work is organized and performed by Unit Based Teams, the roles are substantially different from those of traditional work situations. References to supervisors in this Agreement refer to management representatives.

In Unit Based Teams, supervisors will continue to play a crucial role in providing leadership and support to front line workers. The role should evolve from directing the workforce to coaching, facilitating, supporting, representing management through interest-based procedures and ensuring that a more involved and engaged workforce is provided with the necessary systems, materials and resources. The role of stewards should evolve into one of work unit leadership, problem solving, participating in the organization and design of the work processes, and representing co-workers through interest-based procedures.

A description of the roles, as envisioned in the Pathways to Partnership, can be found in the Work Unit Level Sponsorship and Accountability section of the 2003-2005 Labor Management Partnership Implementation Plan and the 2004 Think Outside The Box Toolkit.

2. GOVERNING BODIES

The governing body for the Labor Management Partnership is the Labor Management Partnership Strategy Group (the Strategy Group) which currently

comprises the Regional Presidents, a subset of the KFHP/H National Leadership Team, representatives from the Permanente Medical Groups, the Permanente Federation, the Office of Labor Management Partnership (OLMP) and the Coalition. The parties acknowledge that as integration progresses, governance structures may need to evolve accordingly.

The OLMP will provide administrative and operational support to the Strategy Group and support the implementation of the Partnership at all levels including:

- *management of the Labor Management Partnership Trust (the Partnership Trust) budget, as determined by the Strategy Group, including financial reports and fund transfers;*
- *establishment and coordination of joint education trusts;*
- *support to Labor Management Partnership communications;*
- *support for coordination and development of Workforce Planning and Development activities; and*
- *management and/or support for other initiatives and programs as assigned.*

3. JOINT PARTNERSHIP TRUST

The Partnership Trust has been established for the purpose of funding labor management administration and Partnership activities. Kaiser Permanente will continue to 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 and technical and consulting support expenses necessary to implement/advance the Partnership, shall be at least proportional to employee contributions as described below. An amount equal to nine cents per hour per employee will continue to be contributed to the Partnership Trust throughout the term of this Agreement, using the current or jointly acceptable alternative methodologies. 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 is overseen by the Strategy Group and is jointly administered. There will be up to six trustees consisting of equal numbers of union and management representatives from the Strategy Group. The trustees serve under the direction of the Strategy Group.

C. ORGANIZATIONAL PERFORMANCE

The 2005 BTGs, comprising approximately four hundred employees, managers, supervisors, physicians, dentists and union leaders, worked diligently to propose solutions in a range of areas of great interest to management, employees and their unions. This section is based on their vision and solutions in the areas of Attendance, Benefits, HRIS Process Consistency, Scope of Practice, Service Quality, Performance-Based Pay, Performance Improvement, Workforce Development, and Work-Life Balance. While not intended to represent all of the ideas, goals and direction indicated by these BTGs, it captures the fundamental elements necessary for making Kaiser Permanente the best place to work and the best place to receive care.

The parties are 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 the Kaiser Permanente workforce, increasing employee satisfaction, promoting patient safety programs and focusing attention on employee health and work-life personal-life balance. The goal is to continually improve performance by investing in people and infrastructure, improving communication skills, fostering leadership, and supporting involvement in the community.

1. PERFORMANCE IMPROVEMENT

Kaiser Permanente and the Coalition 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. The parties are committed to the enhancement of organizational performance so that working in Partnership is the way Kaiser Permanente does business. Under this Agreement, the parties will work together to:

- *develop and invest in people, including the development of and investment in managers, supervisors and union stewards;*
- *engage employees at all levels;*
- *align the systems and processes that support the achievement of organizational and Partnership goals;*
- *enhance the ability of Coalition unions to advance their social mission and the welfare of their members;*
- *recognize and reduce parallel structures;*
- *ensure joint management-union accountability for performance;*

- *grow membership;*
- *redesign work processes to improve effectiveness, efficiency and work environment;*
- *develop and foster Unit Based Teams;*
- *share and establish expectations regarding broad adoption of successful practices in areas such as service, attendance, workplace safety, workforce development, cost structure reduction, scope of practice, and performance-based pay; and*
- *communicate with employees on an ongoing basis regarding performance goals and targets, as well as performance results at all levels of the organization.*

a. Successful Practices

Implementation of a comprehensive, web-based system for sharing and transferring successful practices will be a significant contribution to performance improvement.

This system will identify and capture successful practices and tool kits related to regional and Program-wide goals such as:

- *service,*
- *attendance,*
- *workplace safety,*
- *workforce development,*
- *cost structure reduction,*
- *scope of practice, and*
- *performance-based pay.*

By July 1, 2006, each region will inventory and submit to a designee in the OLMP the existing systems that are used to capture and share successful practices. By October 1, 2006, a national web-based system will be designed. By the end of 2006, the national web-based system will be populated with data and effective January 1, 2007, each region and national function, as appropriate, will begin to utilize the selected national successful practices system.

The National Operations Team will be responsible to:

- *act as the sponsor for the transfer of successful practices;*
- *identify at least two demonstrated successful practices annually and recommend to the Strategy Group that they be implemented Program-wide;*
- *coordinate with regional and national function leadership to provide funding, incentives, education, support and tools;*
- *establish a video conference, ideally on a semi-annual basis, where each region shares a successful practice; and*

- *implement and maintain the system to ensure that successful practices are, in fact, transferred.*

Regions or facilities where business goals are not being met for a specific function will be accountable to adopt demonstrated successful practices specifically applicable to that function, in order to improve performance.

b. Flexibility

Kaiser Permanente and the Coalition 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, the parties are committed to Kaiser Permanente becoming a high performance organization and to the KP Promise and the Labor Management Partnership as a foundation for reaching this goal.

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 unions' interest in a balanced approach which will not disadvantage one union relative to another and acknowledges that a broad, long-term perspective should 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; and*
- *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; and*
- *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; and*
- *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; and*
- *other innovative employment options such as seasonal employment and job sharing.*

In applying the principles of the Partnership, local labor management partners may create 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 successful practices is highly encouraged.

2. SERVICE QUALITY

Kaiser Permanente and the Coalition are dedicated to working together to make Kaiser Permanente the recognized leader in superior service to each other, to our members, and to purchasers, contracted providers and vendors. In order to become the recognized leader in superior service, the parties agree to pursue a Labor Management Partnership strategy in which every region will have a plan to implement the following critical elements of service quality.

a. Leadership Commitment and Service Behavior

Labor integration. Labor, management, physician and dental leaders will assume a leadership role in the design and implementation of the service promise or credo. In the first year of implementation, the Strategy Group, working with the KPPG subgroup on service, will lead the design and implementation of a curriculum and a communication plan to advance the service promise or credo at all levels of the organization. The curriculum will include the key concepts needed to support the development of a service culture, including the critical element of service recovery.

Working in partnership, labor and management will be accountable for creating a service culture at the facility, department and work unit levels. Partner union representatives will be integrated into planning, development and implementation of a service culture. Union partners will be integrated into any new or ongoing service initiatives or committees that manage service programs at the national, regional or local levels.

A service culture can best be achieved by utilizing Unit Based Teams. High member, employee and provider satisfaction will result from well-trained teams that are empowered and supported to meet or exceed service expectations. Key components for achieving high service quality performance by Unit Based Teams include employee involvement in point-of-service decision making, systems that support the team in the delivery of superior service, orientation and training, accountability and an organizational commitment to service quality.

Accountability. Individuals, teams and leaders are accountable for service quality at Kaiser Permanente. All members of a team own their individual service behavior, as well as the service provided by their team. Leadership is accountable for supporting individuals and teams in building and maintaining a service culture, and implementing the critical elements of the service plan. Accountability will be enhanced by establishing and monitoring service quality metrics.

Resources. National and regional leadership will designate funding sources for service quality improvement, including development of defined service budgets, which are jointly planned and reviewed by management, labor, physicians and dentists.

b. Systems and Processes

Alignment. To make Kaiser Permanente the recognized leader in superior service, organizational systems and processes must be aligned with that goal.

The parties will evaluate, develop or improve systems that support employees and departments in delivering superior service.

Recruitment and Hiring. In order to integrate a service focus into the organization's recruitment and hiring practices, the parties agree that all job descriptions, performance evaluations and job competencies will include a jointly developed service component. All job postings will include language that emphasizes service skills.

Recognition and Reward. Recognition is a critical component in fostering and reinforcing a culture of service excellence. The parties will work to align service quality incentives throughout all levels of the organization with increased emphasis on service.

Metrics and Measurement. Service quality should be measured and given appropriate weight to reach and maintain superior service at all levels of the organization. The parties will develop a "Balanced Scorecard" measurement program, and strengthen customer satisfaction measurement tools.

Orientation and Training. A service training program will be designed, for regional delivery, to include a section on service recovery.

Service Recovery. Service recovery is a critical element of a service quality improvement strategy to prevent member terminations. Medical centers or departments will provide resources for implementation of consistent service recovery programs.

c. Environment

The physical and social environment affects service quality. The parties at the national and regional level will work to strengthen the involvement of union leaders and front line staff in the design of existing facility modification, template development and new construction.

3. ATTENDANCE

a. Philosophy

Optimal attendance is imperative to achieve superior customer service, employee satisfaction, efficiency, and quality of care for health plan members. Appropriate use of time off benefits, including sick leave when employees are injured or ill, is essential to employee well being and organizational performance. A healthy work environment and a committed workforce are critical success factors for achieving optimal attendance. Sick leave is not an entitlement, but a benefit, like insurance, to be utilized only when needed.

b. Sponsorship and Accountability

The parties share the goal of ensuring that attendance performance at Kaiser Permanente is in the forefront of high-performing health care organizations. In order to achieve optimal attendance, sponsorship must occur from the highest leadership levels within Kaiser Permanente and the Coalition. This includes:

- *National Leadership Team members;*
- *Regional Presidents;*
- *Regional Medical and Dental Directors; and*
- *local Union Leaders.*

Accountability for the attendance program will be integrated into the operational structures of management and the leadership of Coalition local unions. A chain of accountability for the attendance recommendations will be established that is clear at all levels of the respective organizations. Accountability includes clear expectation of roles and responsibilities as well as rewards and consequences, as appropriate, for performance and non-performance.

c. Time Off Benefit Enhancement

Labor and management have agreed to establish a new benefit design to improve attendance by providing economic incentives for appropriate use of sick leave, as well as flexible Personal Days. This benefit design includes three key components: flexible Personal Days; Annual Sick Leave; and Banked Sick Leave. This benefit does not affect vacation, and does not apply to employees covered by ETO/PTO plans.

Flexible Personal Days. Each local collective bargaining agreement may designate from two (2) to five (5) flexible personal paid days off (Personal Days) that employees may use for personal needs in increments of not less than two (2) hours.

Currently existing Work-Life Balance days, floating holidays, birthday holidays or personal days contained in local agreements may be designated as Personal Days. In addition, sick leave days may be converted to Personal Days by mutual agreement, provided that the total number of Personal Days, (including floating holidays or the equivalent) does not exceed five (5) days. The designation/conversion of the above to Personal Days will only occur in local bargaining.

Requests for a single Personal Day off, or for hours within a single shift, shall be granted upon receipt of at least two (2) weeks' notice. Last minute notice is acceptable for personal emergencies.

Requests with less than two weeks' notice, requests for consecutive days off, for days before or after a holiday, or for other days designated by mutual agreement, will be reviewed and approved or denied on a case-by-case basis in order to meet core staffing needs. Denials will be tracked and compiled, by department, on a quarterly basis.

All unused Personal Days will be converted at 50% of value to cash at the end of each year.

Personal Days may not be cashed out upon resignation or termination; however, upon retirement Personal Days may be cashed out at 50% of value. For the purposes of this Section 1.C.3., retirement means that the employee has retired from the organization pursuant to the terms of a qualified Kaiser Permanente retirement plan.

These provisions will not supersede local collective bargaining agreements with superior conditions regarding notice requirements, granting of requests, or cash out provisions.

Sick Leave Benefit. There are two types of sick leave benefits. Annual Sick Leave is the sick leave days credited each year to each employee in accordance with the provisions of the local collective bargaining agreements. Banked Sick Leave is previously accumulated unused sick leave to which unused Annual Sick Leave may be added at the end of each calendar year.

Annual Sick Leave. Employees will be credited with their entire annual allotment of sick leave days provided in the local collective bargaining agreements on January 1 of each calendar year following implementation of this plan. In 2006, the current sick leave accrual system will remain in place until such time as the new attendance system is implemented in the region. Employees who commence employment after January 1 will receive a pro-rated allocation. At the end of each calendar year, 100% of unused Annual Sick Leave days may be credited to Banked Sick Leave at 100% of value.

Special Note for Part-time Employees. Part-time employees' Annual Sick Leave will be credited proportionately, based on scheduled hours. Throughout the year (no more frequently than quarterly) the credited Annual Sick Leave will be adjusted based on actual compensated hours. This will ensure that employees who work, on average, more hours than they are scheduled, will receive proper Annual Sick Leave credit.

Banked Sick Leave. Banked Sick Leave is made up of accumulated unused sick leave with no limit on the

amount that may be accumulated, regardless of limitations on accumulation that may be contained in local collective bargaining agreements. Existing accumulated sick leave balances for all employees will be credited to Banked Sick Leave upon implementation of this program.

Banked Sick Leave may only be used following exhaustion of Annual Sick Leave, or for statutory leaves (e.g., CESLA, FMLA, OFLA, Workers Compensation, etc.), or when the employee is hospitalized. Medical verification may be required for use of Banked Sick Leave. Banked Sick Leave accrued after December 31, 2005 will be used following exhaustion of any Banked Sick Leave accrued prior to January 1, 2006.

Options for Unused Annual Sick Leave. At the end of each year beginning with 2006, employees who meet the eligibility requirements set forth below, may:

- *convert unused Annual Sick Leave days (up to ten days) to cash at 50% of value; or*
- *credit unused days to Banked Sick Leave at 100% of value.*

Employees may select either option, or a combination of the two.

Conversion of Unused Annual Sick Leave. During each year of the program, including 2006, employees in each region will be eligible to cash out unused sick leave as described below.

At the end of each year, employees with at least ten days of Banked Sick Leave (or the proportional equivalent for part-time employees) may cash out up to ten (10) days of unused Annual Sick Leave, at 50% of value. Employees with fewer than ten (10) days of Banked Sick Leave must first apply unused Annual Sick Leave toward reaching a minimum balance of ten (10) days (or the proportional equivalent) of Banked Sick Leave. Once that minimum balance is reached, additional unused Annual Sick Leave may be cashed out, up to a maximum of ten (10) days, at 50% of value.

Example 1: an employee has no Banked Sick Leave and twelve (12) days unused Annual Sick Leave at the end of the year. Ten (10) days must be credited to Banked Sick Leave and two (2) days may be cashed out at 50% of value.

Example 2: an employee has five (5) days Banked Sick Leave, and twelve (12) days unused Annual Sick Leave at the end of the year. Five (5) days must be credited to Banked Sick Leave and seven (7) days may be cashed out at 50% of value.

Example 3: an employee has twenty (20) days Banked Sick Leave and twelve (12) days unused Annual Sick Leave at the end of the year. Ten (10) days may be cashed out and two (2) days will be credited to Banked Sick Leave; or, all twelve (12) days unused Annual Sick Leave may be credited to Banked Sick Leave.

All unused Annual Sick Leave days which are not converted to cash will be automatically credited to Banked Sick Leave at 100% of value.

Retirement Conversion. Upon retirement, Banked Sick Leave accrued prior to January 1, 2006 will be recognized as credited service for pension purposes (excluding Taft-Hartley plans). Banked Sick Leave accrued after December 31, 2005 will be converted to vacation and paid out at 50% of value and will also be recognized as credited service for pension plan calculation purposes.

d. Implementation

Southern California will implement the Attendance Program, including the Time Off Benefit Enhancement, no later than January 1, 2006, with other regions implementing throughout the course of 2006 in accordance with a schedule developed under the direction of the Strategy Group. The parties agree that the benefit structure becomes effective as of January 1, 2006. Accordingly, eligible employees who retire after that date, but before implementation is completed in their region, will be entitled to the entire annual allotment of Annual Sick Leave/Personal Days and the retirement conversion, as described above.

The National Attendance Committee will develop detailed timelines for initial and long-term implementation of the attendance program with identified goals, and performance expectations. The Committee will define the kinds of data needed and the methods to be used, collect the necessary data and provide reporting that is consistent across Regions. The Committee will also establish a framework that defines the level of attendance performance at which an attendance review is triggered. The 2005 Attendance BTG report will guide the work of the Committee.

e. Integrated Disability Management

A comprehensive integrated disability management program for long term leave that provides a rapid return to work for employees, will be jointly developed. This program will include the current focus on disabilities and Workers Compensation and extend to chronic

and recurrent sick leave and non-occupational injuries, illnesses or disabilities, whether or not they are covered under FMLA or other protected leave. This program is further described in Section 1.J., Workplace Safety.

f. Attendance Intervention Model

The intervention model developed by the OLMP will be utilized to provide expertise and tools that can assist departments or units with poor attendance to discover and understand root causes and develop solutions in partnership that will improve attendance.

The National Attendance Committee will:

- *modify the intervention model based on experience to date and successful practices;*
- *develop a tool kit for use by the regions or national functions;*
- *develop and offer training to regional or national personnel for intervention skills and use of the tool kit; and*
- *provide consulting and back-up services to the regions or national functions.*

Each region or national function will:

- *fund and develop resources for intervening in units with attendance issues;*
- *establish intervention teams with administrative support by June 30, 2006; and*
- *determine the number of teams needed based on the number of units requiring intervention.*

g. Staffing and Backfill (Planned Replacement)

The success of the Attendance program depends on a number of key elements, all of which are essential. This includes adequate staffing, planned replacement and commitment to providing appropriate time off when requested. Section 1.F, Staffing, Backfill, Budgeting and Capacity Building, provides the details regarding these obligations.

4. SCOPE OF PRACTICE

The people of Kaiser Permanente will work collaboratively in the Labor Management Partnership to address scope of practice issues in a way that ensures compliance with laws and regulations, while valuing the strengths, contributions and employment experience of all members of the health care team. The parties agree to work in Partnership to promote knowledge and understanding of scope of practice issues, proactively influence scope of practice laws and regulations as appropriate, create a safe environment to address scope of practice issues in a non-punitive manner, and provide

opportunities and resources for all employees to advance personally and professionally in order to take advantage of full scope of practice in accordance with certification and/or licensure.

To the extent possible, to achieve these objectives, union representatives should be fully integrated into national, regional and local scope of practice decision making structures within Kaiser Permanente as outlined in the 2005 Scope of Practice BTG report, pages 14-17 (attached as Exhibit 1.C.4.(1)). Where disagreements arise regarding the legal scope of practice of employees covered under this Agreement, the Issue Resolution process in Section 1 may be utilized on an expedited basis. If such a disagreement is not fully resolved through an expedited Issue Resolution process, management, acting in good faith, will apply relevant law and regulatory requirements and reserves the right to make a final determination to ensure compliance with laws and regulations.

Scope of Practice education and training programs will be developed and communicated broadly throughout the organization. The Strategy Group, working together with the National Compliance, Ethics & Integrity Office, will be accountable for the implementation of these provisions. Guidance for education and training programs and timelines for implementation are provided on pages 9, 10 and 11 of the 2005 Scope of Practice BTG report (attached as Exhibit 1.C.4(2)).

5. JOINT MARKETING

The Coalition unions and Kaiser Permanente acknowledge the untapped opportunities for membership growth among union affiliated workers. In the 1997 Labor Management Partnership agreement, the unions and management committed to work together to “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.”

The parties reaffirm their commitment to market Kaiser Permanente to new and existing union groups and to establish the necessary strategic and policy oversight, as well as appropriate funding, to ensure the joint Labor Management Partnership marketing effort becomes a successful sustainable model, resulting in increased enrollment in Kaiser Foundation Health Plan. The Coalition and its affiliated unions, acting in the interest of and in support of the Partnership, will use their influence, to the greatest extent possible to assure that unionized Employers, union health and welfare trusts and Taft-Hartley trusts operating in, or providing bene-

fits to union members in areas served by Kaiser Permanente, offer Kaiser Foundation Health Plan. National oversight and sponsorship of the joint marketing effort will be provided by the Strategy Group. The foundation of the joint marketing efforts will require organizational alignment, integration (e.g., participating in the regional rate-setting process), and coordination between the Coalition and departments engaged in promoting Kaiser Permanente at the regional level.

The parties have developed Joint Labor Management Partnership Marketing Program recommendations. These recommendations identify the need for:

- *consistent data collection;*
- *education programs;*
- *communication strategies and tools;*
- *mechanisms to measure outcomes and progress; and*
- *a joint structure, including the long term vision of integration, to accomplish these goals.*

A Joint Labor Management Partnership Marketing Action Plan will be submitted annually to the Strategy Group for approval and implementation. The Action Plan should be based on the Labor Management Partnership Joint Marketing Program recommendations, and should identify the annual goals and objectives, resources, responsibilities, accountabilities and outcomes for the following year.

D. WORKFORCE DEVELOPMENT

1. TAFT-HARTLEY TRUSTS

a. Funding

Two Taft-Hartley education trusts, one for the Coalition SEIU unions (the SEIU Multi-Employer Education Trust) and another for all other Coalition unions representing employees of KFHP, KFH and the affected Permanente Medical Groups (the Coalition Education Trust) will be funded to offer career development/upgrade training programs and services for their respective memberships. In the first year of the Agreement, each trust will be funded at 1% of its represented employee payroll.

Contributions that the Employer makes according to paragraph 1 above, to the SEIU Multi-Employer Trust on behalf of the Northern California SEIU Unions will be offset by previous contributions to the SEIU Multi-Employer Trust, made prior to the effective date of this Agreement. This offset will have no effect on contributions due to the Coalition Education Trust.

The first year contributions will fund the trusts over the first three years of the Agreement. Beginning the third year of the Agreement, the parties will meet annually to evaluate the assets and performance of the trusts, mutually agree on future goals and determine the level of future contributions.

Annually, beginning in 2006, the parties will meet to discuss appropriate contributions to (1) the Education Trusts and (2) the Partnership Trust to fund Workforce Development activities such as: forecasting, data collection (FIS/MIS) coordination, WFD team training and training for areas not covered by the Taft Hartley Education Trusts, such as training for Unit Based Teams, Service and Scope of Practice.

b. Governance

Each Taft-Hartley trust will be governed by an equal number of labor and management trustees. Labor trustees are selected by labor; management trustees by management.

- *SEIU unions will join the SEIU United Healthcare Workers-West and Joint Employer Education Fund already established in Northern California.*
- *All other Coalition unions will join the Coalition Trust, which will be established no later than December 31, 2005.*

Each trust will establish the most appropriate staffing structure and levels to meet its goals.

2. STRUCTURE

a. Workforce Development Coordination and Implementation Structure

Workforce planning and development activity will be coordinated across the regions and the two trust funds through an integrated national, regional (and if appropriate, facility) workforce development team structure. This structure and supporting activity will be funded from the 15% allocation to the Partnership Trust. Funded activity will include:

- *workforce forecasting and analysis;*
- *development of systems to support forecasting, tracking and data collection at all levels;*
- *Workforce Development Team setup, orientation and support;*
- *filling workforce development positions; and*
- *facilitation of the sharing of successful practices across regions.*

b. National Workforce Development Team (National Team)

The National Team will include co-leads, one from management and one from the Coalition, and will be accountable to the Strategy Group. The team will also include representatives from HR functions including, Recruitment, Compensation and Learning Services, as well as Workforce for Tomorrow, operations and the co-leads from each Regional Workforce Development Team, and other representatives as appropriate. The National Team will align, integrate, and coordinate all workforce development and training efforts. The team will be charged with the oversight and training of workforce development teams and will work directly with trustees of the Taft-Hartley and Partnership Trusts and the regional and facility (as appropriate) teams to develop and coordinate policies to support workforce development. The National Team will be staffed sufficiently to ensure timely implementation.

c. Regional Workforce Development Teams (Regional Teams)

The Regional Teams will be chaired by labor and management co-leads, and will be accountable to regional Labor Management Partnership Councils/Steering Committees/Strategy Groups (or their equivalent). Participants will include representatives from HR functions, including Recruitment, Compensation and Learning Services, as well as Workforce for Tomorrow, operations, and other representatives as appropriate. Regional Teams will create and maintain a program to

meet the goals set out in this Agreement and the 2005 Workforce Development BTG recommendations. They will also align, integrate and coordinate all workforce planning and development efforts on a regional level. Regional Teams will work directly with the National Team to:

- *assess needs;*
- *deliver and implement programs;*
- *create policies to support workforce development;*
- *coordinate the delivery of programs to ensure that barriers to job placement and training opportunities are eliminated; and*
- *provide guidance and oversight in order to effectively coordinate with Facility Teams (as appropriate).*

d. Facility Workforce Development Teams (Facility Teams)

Facility Teams will be established, where appropriate. These teams will assess needs and barriers to training and report findings to the Regional Team.

3. JOINT WORKFORCE DEVELOPMENT

Workforce development is one of the highest priorities of Kaiser Permanente and the Coalition. The success of the organization and the Partner unions is attributed to the work, skill and education of Kaiser Permanente employees. In order to adapt to the rapidly changing healthcare environment, there is a need to invest even more fully in partnerships, people and new technologies, while continuing to provide the highest quality of care and service to health plan members.

The Coalition and management agree that a comprehensive workforce development program will be jointly developed and implemented. The goal is to create a culture that values and invests in lifelong learning and enhanced career opportunities. The joint efforts will also result in the development of infrastructure and tools to realize the full intent of the Employment and Income Security Agreement. By achieving these goals, employee retention and satisfaction will be increased, hard-to-fill vacancies filled, quality and service improved and the Labor Management Partnership strengthened.

Significant investments are being made in workforce development programs and activities. In order to be successful, these programs and activities require organizational alignment, integration, coordination and efficient use of resources. The parties will assess the effectiveness of these activities and determine how to improve the overall program, including determining the appropriate yearly level of resources and investments.

The four key components to this work are Workforce Planning, Career Development, Education and Training, and Retention and Recruitment.

a. Workforce Planning

As Kaiser Permanente and the Coalition plan for the workforce of today and tomorrow, it is necessary to develop a set of ongoing processes that determine current workforce skill levels, current and future workforce needs and formulate a strategy to assure alignment. The parties agree that successful Workforce Planning must include a commitment to internal promotions in the filling of vacancies. Therefore, existing policies, practices and contract language will be jointly reviewed and new policies developed to support internal promotions including: the harvesting of vacancies, development of redeployment processes, studies to determine the feasibility of in-sourcing career counseling services/functions that are currently performed by external providers and new incentives for managers to promote from within.

b. Career Development

In order to provide employees with opportunities for personal and professional development and provide the necessary resources to achieve their career goals, the Coalition and management agree that Career Counseling services will be made available in each region or national function to offer skills and interest assessments, individual and group career counseling and the development of individual employee development plans. In addition, a comprehensive infrastructure, including career ladders, career pathways mapping, occupational index tools, a career website, pipeline tracking database system and project management support will be established. The National Team will be accountable for oversight and coordination with the regional and functional teams to ensure that the Career Counseling infrastructure is developed and deployed.

c. Education and Training

The workforce development education and training objectives are to:

- *prepare individuals to engage in learning processes and skills training;*
- *support employees in meeting their professional and continuing educational needs;*
- *train professional and technical employees for specialty classifications;*
- *provide education and training in new careers and career upgrades;*

- *support employees in adapting to technological changes; and*
- *ensure alignment with the needs of the organization.*

The parties recognize the need to raise awareness of the availability of tuition reimbursement opportunities. By April 2006, each Regional Team will complete a study to determine the current utilization of tuition reimbursement, education leave (including Continuing Education Units) and other allocated budgeted resources. The teams should then determine how to remove barriers to access, (e.g., degree requirements), and increase participation in these programs. This may require amendment of local collective bargaining agreements and/or policies. After the regional studies have been completed, the National Team, working with the Regional Teams, will develop a communications strategy to raise the awareness levels in each region.

Tuition reimbursement may be used in conjunction with education leave by employees for courses to obtain or maintain licensure, degrees and certification. Tuition reimbursement dollars may also be used for basic skills programs (e.g., computer, basic math, second language and medical terminology courses).

d. Retention and Recruitment

A major priority is to reduce turnover by implementing appropriate solutions throughout the organization. The implementation of the following programs is expected to produce significant savings for the organization over the life of the Agreement through reduction in employee turnover.

Exit Interview. The National Team, working with Regional Teams, will develop an exit interview template that will be utilized to determine the reasons employees leave Kaiser Permanente or transfer from a particular work unit. The exit interview process will be analyzed by the designated steward(s) and supervisor(s) and reported to the National and Regional Teams on a quarterly basis.

Ambassador Program. Each Regional Team will develop an Ambassador Program where current employees volunteer to serve as ambassadors for recruitment activities and outreach events. The work plan should be completed by September 30, 2006 and implemented by March 31, 2007.

E. EDUCATION AND TRAINING

1. PRINCIPLES

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 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, the goal is a comprehensive, jointly-administered, integrated approach to education and training. There will be a joint design and oversight team that provides new and ongoing training programs to all appropriate staff, including evaluation of training effectiveness.

2. TYPES OF TRAINING

The 2005 BTGs identified a variety of educational requirements necessary to advance the Partnership, support the development of high performing, committed work teams, and enhance the growth, advancement and retention of employees, as described in the 2005 Workforce Development BTG report. Types and categories of training, grouped by funding source, include:

- *Career Development (supported by national funding), for example, training current employees to:*
 - *acquire basic skills and prerequisites for advancement;*
 - *fill new or hard to fill positions/technology changes; and*
 - *advance lifelong learning.*
- *General Partnership and National Agreement training (funded through the Partnership Trust), for example:*
 - *implementation of the National Agreement;*
 - *program development for Unit Based Teams;*
 - *application of the Flexibility provisions of this Agreement;*
 - *Partnership orientation and other Labor Management Partnership training; and*
 - *performance-sharing programs.*

- *Key business strategies and initiatives (funded through operating budgets or local or national business initiatives), for example:*
 - attendance,
 - service,
 - business education,
 - Kaiser Foundation Health Plan product offerings,
 - KP HealthConnect,
 - employee health and wellness,
 - scope of practice,
 - benefits,
 - regulatory compliance, and
 - diversity.

3. STEWARD EDUCATION, TRAINING AND DEVELOPMENT

The CIC agreed to support union steward training and education and recommended that stewards have time available each month to participate in training and development activities. The parties agree to support stewards in training and development such as:

- *education and training programs;*
- *Steward's Council;*
- *Labor Management Partnership Council;*
- *Partnership sponsored activities; and*
- *Partnership environment.*

Training programs for stewards may be developed in the following areas:

- *foundations of Unit Based Teams;*
- *improvement in Partnership principles;*
- *contract training on the National Agreement;*
- *fundamentals of Just Cause;*
- *leadership skills;*
- *effective problem solving; and*
- *consistency and practice.*

Labor and management will work jointly on steward development. Accountability will rest with senior operational and union leaders on the Labor Management Partnership Council (or equivalent) in each region.

4. INTEGRATED APPROACH TO EDUCATION AND TRAINING

There are common themes and elements of training that should become consistent across Kaiser Permanente.

Sufficient resources will be committed, as specified in this Agreement and by the regions, to create and deliver training programs and to enable employees to take advantage of those programs, supported by Planned Replacement where necessary. Integrated development of Program-wide training programs should provide efficiency, cost effectiveness, higher quality training and more consistent experience for employees across Kaiser Permanente.

The Strategy Group will be responsible for ensuring an integrated approach to education and training, which will jointly address initiatives and topics identified as priorities for the Program. Criteria for prioritization will be:

- *National Agreement implementation plans;*
- *organizational strategic objectives; and*
- *Partnership priorities.*

The parties will work jointly to develop an integrated education work plan and guidelines no later than May 30, 2006. Guidance for this work can be found in the education and training recommendations from the various 2005 BTG reports.

F. STAFFING, BACKFILL (PLANNED REPLACEMENT), BUDGETING AND CAPACITY BUILDING

1. PLANNED REPLACEMENT AND BUDGETING

Providing a work unit environment where quality of care and employee satisfaction are not compromised by fluctuations in staff is a crucial concern. The parties commit to resolving the complex issue of Staffing and Planned Replacement in a comprehensive manner. Planned Replacement means budgeted replacement time for employees' time away from their work unit, (e.g., to participate in training, Partnership activities, approved union work, or to take contractual time off, including unpaid leaves of absence). In addressing the issue of Planned Replacement, the objectives are to jointly define the circumstances in which Planned Replacement will occur, using the following criteria:

- *plan for and schedule replacement activities wherever possible, so that Planned Replacement objectives can be successfully achieved;*
- *provide Planned Replacement so employees are able to use leave benefits appropriately and take time off related to activities listed above;*
- *provide adequate staffing within the budget to cover the work operations and other work related requirements by creating a Planned Replacement line item at all budgeting levels;*

- *ensure forward-looking and realistic planning to anticipate and provide for future staffing needs;*
- *support the Attendance provisions of this Agreement;*
- *budget and plan realistically to provide for all components of legitimate time off from work and apply those budget components as intended; and*
- *accurately track time off requests and responses to provide managers and employees with transparent data on time off.*

The parties will conduct and complete a gap analysis (i.e., the difference between needed average amount of time off and current budget practice) for Planned Replacement in each region prior to the 2007 rate setting process. Planned Replacement will be incorporated into rate setting and budgeting processes for all departments beginning with the 2007 cycle. The parties will mutually agree on the phasing in of additional resources for Planned Replacement in 2006, and regional market conditions will be a factor in those considerations.

In departments where management and the unions agree that the budgetary process meets the objectives as outlined above, the process does not need to be modified. Those departments without an effective joint staffing, budgeting and planning process in place will observe the Joint Staffing provision below and incorporate the recommendations taken substantially from the 2005 Attendance BTG Report, Concept #3, pages 20–23 (attached as Exhibit 1.F.). Timing will be determined jointly at the regional level.

2. A JOINT STAFFING PROCESS

As unions and management continue to integrate Labor Management Partnership structures into existing operational structures, Partner unions will become more involved in business planning and resource allocation decisions. These decisions are intricately tied to the shaping of staffing plans and decisions to adjust resource allocations during budget cycles.

Therefore, the parties agree that throughout this integration process, they will implement joint staffing processes. This work will include jointly developed staffing plans that consider the following factors:

- *mutually acceptable numbers, mix and qualifications of staff in each work unit;*
- *planning for 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; and*
- *departmental/area budgets.*

Adherence to any and all guidelines promulgated by any reviewing or regulatory agency and any other applicable laws or regulations is mandatory. A staffing and budgeting model appears in the 2005 Attendance BTG Report, Concept #3, pages 20–23; (attached as Exhibit 1.F.). The joint staffing language in this Agreement, together with the model in the BTG report, should provide the framework for staffing discussions and decision-making.

3. CONTRACT SPECIALISTS

The ability to fully engage front-line workers in Partnership activities has been limited by a lack of union capacity. Stewards have had the difficult task of balancing their traditional representational duties related to the administration of collective bargaining agreements and engaging in Partnership activities. To empower stewards to fully assume their leadership roles in Partnership activities, the parties agree to the establishment of a new role, Employer-paid Contract Specialists. It is anticipated that this role will advance the Partnership by:

- *allowing stewards more time to focus on Partnership implementation at the facility and work unit level;*
- *building expertise and promoting consistency in contract interpretation and implementation through Contract Specialists who partner with local HR Consultants; and*
- *building capacity through the development of many contract experts.*

Each Coalition bargaining unit will be allocated a minimum of one FTE Contract Specialist, or portion thereof, for every 1,500 bargaining unit employees. In each region, each International Union will apply the 1:1,500 ratio to its total membership to determine the number of Contract Specialists. The Contract Specialists will be appointed by the union, with Employer input, and will be

directed by and accountable to the local union. Their duties will include, but not be limited to, contract interpretation and administration, contract education, guidance in grievance and problem resolution, improvement in shop steward capacity and consistent contract application. The Contract Specialist will partner with the Human Resources Consultant or equivalent. Normally, it is expected that Contract Specialists will serve a single, one-year, non-renewable term. The pay, benefits and conditions of the Contract Specialists will be in accordance with the standard Labor Management Partnership Lost Time Agreement.

Many unions currently have Employer-paid liaison positions. Management and the local union will collaborate and attempt to reach a consensus decision on converting current liaison positions into Contract Specialist positions. It is possible that a union may elect to maintain their current number of liaison positions in lieu of a Contract Specialist, or choose a combination of Contract Specialist and liaisons, or eliminate all liaison positions and replace them with Contract Specialists. In the event that a local union does not have a liaison, it may choose to select a liaison(s), instead of a Contract Specialist, at the ratio described above. Local unions will set policies for liaison and Contract Specialist positions such as term length (e.g., single one-year, non-renewable term, etc.). Local unions that currently have liaison positions exceeding the 1:1,500 ratio cited above will maintain their current FTE ratio.

Southern California will provide 13 FTE Contract Specialist/liaison positions, prorated by International Union, over and above current liaison level, in the first year of the Agreement. All regions will achieve the 1:1,500 ratio by the end of the second year of the Agreement.

G. HUMAN RESOURCE INFORMATION SYSTEM (HRIS) PROCESS CONSISTENCY

The HRIS Process Consistency BTG was formed from the Labor Relations sub-group of the Strategy Group. The BTG developed recommendations from the work of the HRIS Process Consistency Project Team (PCP Team) for reducing the current complexity of HRIS processes and policies across the organization in support of the implementation of the new PeopleSoft HRIS, and to increase the consistency of the employment experience.

The CIC adopted HRIS provisions regarding benefit eligibility and effective dates for Across-the-Board (ATB) increases and special adjustments, which are incorporated in Section 2 of this Agreement. The parties further agreed that longevity steps that are converted to differ-

entials will be included in base pay for purposes of final average pay calculations when determining defined benefit pension benefits, and will be included when determining defined contribution percentages.

In addition, certain provisions were adopted that are to be incorporated into each local collective bargaining agreement, including consistency provisions relating to:

- *bereavement leave;*
- *jury duty;*
- *effective dates of step increases;*
- *longevity pay; and*
- *alternative compensation program terms.*

The Labor Relations Sub-Group will continue to work with the PCP Team during the term of the Agreement as issues are identified that the parties agree require changes to collective bargaining agreements.

H. WORK-LIFE BALANCE

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. Accordingly, Kaiser Permanente and the Coalition will work in Partnership to establish an infrastructure to support and manage work-life balance services.

1. STRUCTURE

The parties agree to create a Work-Life Balance (WLB) division of Human Resources, resulting from realignment of the current Employee Assistance Program (EAP) at all levels. This infrastructure will help ensure that the work-life balance services offered are consistent Program-wide, while fostering better communication about the availability of the services. The WLB division will include health promotion, employee assistance and referral services, and will enable the organization to offer more robust work-life balance services to employees that lead to cost savings, employee retention and increased employee satisfaction.

Resources for the WLB division at the national level will include, a director of WLB, a dedicated labor partner, a project manager, analytical staff and existing EAP resources. Additional resources will be identified at the regional and local level as needed to effectively support the WLB division and should be integrated with Unit Based Team infrastructure to the extent practical.

The Strategy Group will provide Program-wide oversight for the WLB division. Regional and local WLB Committees with management, union, physician, dentist and EAP representation will provide support to the division.

2. PROGRAMS AND SERVICES

Employee Health Care Management. Kaiser Permanente will offer an Employee Health Care Management Program to help employees manage their chronic diseases and other existing health issues. This program is further described in Section 2.B.3, Other Benefits.

Health promotion focuses on keeping people healthy. Kaiser Permanente will offer services to enable its employees to focus on prevention and Thrive by actively

promoting a healthy and balanced lifestyle. To achieve this, local facilities will implement and coordinate health and wellness services aimed at improving the quality of work and personal life for all employees. 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, including discounts 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 regional employee activity programs. Expansion of these services nationally may be evaluated by the Strategy Group during future years of the contract.

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.

In addition, Kaiser Permanente will establish a recognition week celebrating the founders of Kaiser Permanente and a Memorial Day tribute to recognize and honor deceased employees on the Friday before Memorial Day.

3. MANDATORY OVERTIME AND ASSIGNMENTS

The parties' vision is to make Kaiser Permanente the best place to work, as well as the best place to receive care. Through the Partnership, unions, management and employees share responsibility, information and decision making, to improve the quality of care and service and enrich the work environment. The ability to rely on a stable schedule is fundamental not only to this equation, but to achieving balance between work life and personal life as well. As a result, the parties have committed to discontinue mandatory overtime practices, with the overall goal of avoiding the mandatory assignment of any unwanted work time. The "Mandatory Overtime - Principles and Tools" document agreed to by the parties is attached as Exhibit 1.H.3.

I. PATIENT SAFETY

Improving the quality of care delivered to members and 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.

The reporting system will include the following components:

- *reporting of errors, with systematic, standardized analysis of errors and near misses;*
- *communication of learning 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;*
- *positive reinforcement for reporting;*
- *training and education programs that enhance skills and competency to help prevent future errors;*
- *maintenance of the integrity of privileged information; and*
- *ability to collect and trend data across the organization.*

Information regarding errors reported through this system will be handled through the Issue Resolution/Corrective Action process of this Agreement 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; or*
- *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.

J. WORKPLACE SAFETY

Kaiser Permanente and the Coalition believe that an injury-free workplace should be the goal and responsibility of every physician, dentist, manager, union leader and

employee, and an essential ingredient of high-quality, affordable patient care. Working in Partnership, we are establishing the health care industry standard by setting the goal of eliminating all causes of work-related injuries and illnesses, so as to create a workplace free of injuries.

1. CREATING A CULTURE OF SAFETY

In recognition of our goal of an injury free workplace for all Kaiser Permanente employees, physicians and dentists, the leaders of Kaiser Permanente and the Coalition have committed to continuing support for cultural change and the implementation of systems which are necessary to reach our goal.

Over the term of this Agreement, the parties agree to provide sponsorship and resources necessary for a broad and sustainable approach to Workplace Safety (WPS). The Principles of Partnership will be used to engage frontline staff and supervisors in implementing the remedies that will eliminate hazards that cause injuries. It is recognized that in creating an effective culture of safety, alignment among all contributing Kaiser Permanente departments must be achieved.

Kaiser Permanente’s goal is zero injuries. In order to be successful, a culture of safety must be created in which safety is a core business, a personal value and prevention is more effective than injury management.

2. COMPREHENSIVE APPROACH TO SAFETY

Successful WPS efforts are comprehensive and require strong leadership from the health plans, hospitals, dental group, medical groups and unions. To that end, the parties commit to implement a comprehensive plan for each region that sets challenging goals, defines accountabilities and creates a supportive environment with active work unit engagement. The program requires that accountability for WPS be integrated into health plan, hospital and medical or dental group operations, business plans, performance metrics, budgets and strategic planning efforts, and emphasizes the collective responsibility for WPS in each work unit.

In order to ensure successful implementation of the WPS program, the Employer and the unions agree to support training, partnership activities, and work team engagement related to WPS, in accordance with the Planned Replacement provisions of Section 1.F.1.

3. NATIONAL DATA SYSTEM

The parties will continue to develop and enhance the utilization of a national data system and structure that supports the needs of WPS teams, leadership and operations.

4. BLOODBORNE PATHOGENS

The parties will continue support of the National Sharps Safety Committee (NSSC), chartered by the Labor Management Partnership to pursue the goal of selecting and recommending the provision of the safest sharps safety devices. In the event of an issue or disagreement arising out of National Product Council actions regarding a recommendation from the NSSC, the appropriate Problem-Solving Processes under Section 1 of the Agreement may be utilized.

5. INTEGRATED DISABILITY MANAGEMENT

As part of a comprehensive approach to WPS, an Integrated Disability Management (IDM) program, appropriate for each region, will be implemented during the term of this agreement. IDM is defined as a comprehensive program that provides a rapid return-to-work for employees with occupational and non-occupational injuries, illnesses, or disabilities to best meet the needs of employees by improving and supporting overall workforce health, productivity and satisfaction while reducing costs for the Employer in lost time and productivity.

An integral part of a successful IDM program involves removing barriers for employees who are able to return to temporary, alternative or modified work after an injury, illness or disability. To that end, the Employer agrees to facilitate an employee's return to work by making every effort to liberalize work requirements, and the unions will work collaboratively with the Employer to identify temporary, available and appropriate work assignments for the affected employees. While in the IDM program, the affected employees may be placed into temporary work that may include assignments in another bargaining unit, as long as the assignment does not affect the process for filling vacancies and the work available for current employees in the workgroup. When assigning work to affected employees, the Employer will attempt to assign them to duties in their own bargaining unit before placing employees temporarily into another bargaining unit. Temporary assignments into different bargaining units should occur infrequently, and will require collaboration and coordination. In the event it is not possible to assign the employee duties within his/her own bargaining unit, the parties will jointly deter-

mine if temporary assignment within another bargaining unit is possible.

The affected employee may remain in a temporary assignment for up to ninety days. During this time, the employee's bargaining unit status will be maintained with all rights and responsibilities. After ninety days, the parties will meet and must mutually agree to the extension of any such temporary work assignment as appropriate.

6. UNION INDEMNIFICATION

In consideration of full and active participation by the member organizations of the Coalition in the WPS program, and in recognition of the potential liability which might result solely from that participation, Kaiser Foundation Hospitals and Kaiser Foundation Health Plan, Inc. agree that they, or one of the subsidiary health plan organizations of Kaiser Foundation Health Plan, Inc., will indemnify Coalition unions and their officers and employees, and hold them harmless against any and all suits, claims, demands and liabilities arising from or relating to their participation in WPS with Kaiser Permanente.

K. UNION SECURITY

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 as 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 thirty 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 jointly reviewed, on a periodic basis, at the regional level. Seniority, service credit, credited service and health, dental, and life insurance benefits will continue during the leave as long as the union reimburses Kaiser Permanente for the associated costs.

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, as long as the union reimburses Kaiser Permanente for the associated cost. Service credit and credited service will be applied for a maximum of two years, as long as the union reimburses the Employer for such costs. As provided in local agreements, 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 Section 3.E. of this Agreement. Paying employees for participation in panel arbitrations will be the decision of senior union and management leaders in the region.

The Employer and the leaders of the Partner 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 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 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 Partner union political

education and action funds, consistent with the Private Letter Ruling received from the IRS in 2001. The program includes the following provisions:

- *contributions to the political education and action funds are voluntary for employees;*
- *the union is responsible for obtaining check-off authorization from each employee who wishes to have a voluntary payroll deduction; and*
- *the union will reimburse Kaiser Permanente for the costs of administering the payroll deductions.*

4. SUBCONTRACTING

Consistent with current practice, management reserves the right to meet immediate day-to-day operational needs by contracting for services, for example, through registries, temporary services, etc.

The Parties reaffirm a Partnership presumption against the future subcontracting of bargaining unit work.

This section has been supplemented by the Memorandum of Understanding Regarding Subcontracting between Kaiser Foundation Health Plan/Hospitals, The Permanente Medical Groups and The Coalition of Kaiser Permanente Unions dated July 15, 2005 (attached as Exhibit 1.K.4.).

5. UNION REPRESENTATION OF NEW POSITIONS

Principles. The parties agree that Partner unions maintain strong fundamental interests in preserving the integrity of the bargaining units. The parties also agree that achieving the Labor Management Partnership's goals of making Kaiser Permanente the health care employer of choice in all of its markets and maximizing workforce engagement as a principle means of achieving success requires that all parties commit to maintaining and enhancing bargaining unit integrity. The parties further agree that it is not in the interest of either Kaiser Permanente or the Partner unions for jobs to be created or restructured for the purpose of removing work from a bargaining unit. Furthermore, the parties agree that it is essential for them to work together to assure that newly created and restructured jobs that are appropriately included within bargaining units are not improperly excluded from them.

For these reasons, the parties have adopted the following procedures for reviewing and determining the status of newly-created and restructured jobs with duties and responsibilities similar to those of positions included in Labor Management Partnership bargaining units.

While this process is intended for newly created jobs, this process may be used to determine the bargaining unit status of current positions that are in dispute, provided the parties mutually agree, at a local and national level, that it would be beneficial to use this process for that purpose.

If the local parties have an agreed upon process for reviewing newly created positions that provide for an expedited and timely resolution to the issue, that local process should prevail or they may mutually agree to use the process below.

Process. When the Employer creates a new position or restructures, including replacement of a union position with a non-union position with duties similar to those of employees in a Labor Management Partnership bargaining unit, the Employer will notify the appropriate union at least five working days before posting.

The Employer and the union will meet to review the position jointly within five working days of notification. The Employer and the union will present their reasons and recommendations concerning the bargaining unit status of the position. The parties will jointly discuss the position, the reasons for the Employer's determination, and attempt to reach agreement on the status of the new or revised job.

If the Employer and the union agree that the job is a bargaining unit position, it will be evaluated and posted under the contractual process for bargaining unit positions. When a position is determined to be a bargaining unit position, any identical positions which subsequently become available in the region will be posted as bargaining unit positions.

If the parties agree that the job is not a bargaining unit position, it will be evaluated and posted under the applicable regional process for such positions.

If the parties are unable to agree whether the job is a bargaining unit position, then the matter may be submitted as a dispute to an expedited Issue Resolution process. The parties will appoint a standing panel with the responsibility of expeditiously reviewing the facts with each party's perspectives and issuing a timely determination. Optimally, the standing panel would include several neutral parties with an inherent understanding of the complex issues involved in such determinations, and sufficient flexibility in their schedules to expeditiously hear pending issues. The panel will be accountable to the Strategy Group, who will ultimately determine the composition of the panel and who may elect to appoint one or more Strategy Group members,

or their designees, to the standing panel. The panel will be appointed by January 1, 2006.

The expedited process may be initiated by notification to the OLMP. The OLMP will notify the members and convene the panel. The panel will be available for a meeting, in person or by teleconference, within two weeks of notification with the purpose of reaching a decision in the matter. If a decision cannot be made in the initial meeting, another meeting will be scheduled as soon as possible. If the decision has not been made within the two-week period following the notification to the OLMP, the position may be posted and the posting will clearly indicate:

- *the position is under review;*
- *whether or not the position is a union or non-union position is undetermined at this time;*
- *if it is determined that the position is appropriately within the bargaining unit, the incumbent will be required to be part of the bargaining unit.*

If it is ultimately determined that the position is a bargaining unit position, and a job offer has not been made to a candidate before that determination, the position will be re-posted as a bargaining unit position.

The Labor Relations Sub-Committee of the Strategy Group will review activity and provide reports to the Strategy Group as necessary.

L. PROBLEM SOLVING PROCESSES

This Agreement contains three different problem solving processes, each with a different purpose. The first is the Issue Resolution process. Issue Resolution is used in conjunction with Corrective Action, and to problem-solve any department issue in an interest-based, rather than in a more traditional, adversarial manner. For most practical purposes, this is the problem solving process that will be used most by the parties on a local level.

The second problem solving process is a Partnership Review Process. This is a specific process designed to problem solve only disputes or differences of interpretation of Section 1 of the Agreement and certain designated provisions of Sections 2 and 3. The third process was designed specifically to address disputes or differences of interpretation of all other provisions of Sections 2 and 3 of the Agreement. This process is found at the end of Section 2.

1. ISSUE RESOLUTION AND CORRECTIVE ACTION PROCEDURES

An effective procedure for 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 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.*

a. Issue Resolution and Corrective Action

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 remains unresolved, the issue may be referred to the senior union and management regional strategy group, council, or equivalent for resolution. Issue Resolution is an alternative to, but does not replace, the Grievance Procedure.

Summary of Corrective Action. Corrective Action is designed to be a non-punitive process. It is divided into two phases. The first phase, problem solving, follows a joint discovery process. Problem solving consists of levels one and two, which are neither adversarial nor disciplinary in nature. The goal of this phase is to determine the root cause of the problem by identifying all of the issues affecting performance and to collaboratively develop options to resolve them. The first phase is informal, with no documentation in the personnel file.

The second phase, containing levels three through five, constitutes discipline. While there is no punishment, such as suspension without pay, the consequences of failure to resolve the issues may ultimately result in termination of employment. An employee who disputes any action at any level under this procedure shall have the right to file a grievance.

An Issue Resolution/Corrective Action User's Guide is available through the OLMP to provide a thorough orientation on successful utilization of the procedures for all covered employees.

Upon ratification of this Agreement and the local agreements, a small group will meet to problem solve issues of concern relative to the design and overall effectiveness of the Issue Resolution and Corrective Action provisions. The group will include representatives from the national Issue Resolution Implementation Team, as well as representatives from operations and those with knowledge of these issues and concerns. If these issues have not been addressed to the satisfaction of all parties by January 1, 2006, the issues will be submitted to the Strategy Group for resolution. The Strategy Group can choose to address the issues as a full group, appoint a subgroup and/or submit the issue(s) to a panel under Section 1 of the Agreement.

2. PARTNERSHIP AGREEMENT REVIEW PROCESS

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.

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 cannot be resolved at the local level, the senior union and management regional strategy group, council

or equivalent must address and attempt to resolve the issue no later than thirty calendar days following its referral. That group, after careful review of all facts and interests, will 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 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 thirty 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.

M. 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.

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; however, the Review Process in Section 1 of this Agreement substitutes for that notification 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 behavior, unilateral action or withdrawal of privileges should likewise be submitted to the Review Process for determination and resolution.

As the Partnership matures, the parties recognize that, on occasion, either party may engage in behavior that conflicts with Partnership principles and elicits corre-

sponding behavior from the other party. It is expected that this Review Process will also be instrumental in providing guidance to the parties for those occurrences.

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

Wages, performance sharing opportunities and benefits as identified in this Section 2 are considered to be ongoing obligations and will terminate at the extended expiration of local agreements, rather than at the expiration of this Agreement.

A. COMPENSATION

To promote Partnership principles and support the guiding principle that Kaiser Permanente will be the employer of choice in the health care industry, Partnership employees should receive excellent wages. The parties recognize, however, that wages alone will not support an “employer of choice” strategy. In addition to wages, the parties 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 agreed to under the terms of this Agreement include three components:

- *annual Across-the-Board (ATB) wage increases;*
- *special adjustments; and*
- *potential for performance sharing bonuses in each year of the contract.*

1. ACROSS THE BOARD WAGE INCREASES (ATBS) AND SPECIAL ADJUSTMENTS

ATBs will be effective on the first day of the pay period closest to October 1 in each year of the Agreement. Special adjustments made pursuant to this Agreement or made during its term, will be effective on the first day of the pay period closest to the implementation date.

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	Region or Area	YEAR				
		1	2	3	4	5
ATB (Across-the-Board) Increases	NCAL, SCAL, CA, NW	5%	4%	4%	3%	3%
	OHIO, MAS, TX	4%	3%	3%	3%	3%
	GA	ⁱ	3%	3%	3%	3%
RN Differentials ⁱⁱ	CO, OHIO, MAS	1%	1%	1%	1%	1%
	GA	ⁱⁱ	1%	1%	1%	1%
	NW	^{iv}	1%	1%	1%	1%
	SCAL	1% ^v	1% ^v	1%	1%	1%
Self-Funded Performance Sharing Program (“PSP”)	All Partnership Regions	3%	3%	3%	3%	3%
Job Classification Adjustments		Referred to by local table for joint resolution.				
Imaging (Technical Classifications)	NCAL, SCAL, OHIO, GA, NW					
Clinical Lab Scientists	NCAL, SCAL					
Coders	NCAL, CO					
Pharmacists	CO					
Respiratory Care Practitioners	NCAL, SCAL, NW					
Special Parity Adjustments - ROC Regions						
NW - MSW/MH	Close gap in year one					
MAS – UFCW Local 400 – Baltimore/DC	Close gap on 10/1/2006					
Special Parity Adjustments - NCAL						
UHW – Geographic Two Tier System SEIU Local 535 MH/SW – Geographic Two Tier System IFPTE Local 20 - Geographic Two Tier System	To be implemented mid-year in year 3, as agreed by the parties.					
SEIU Local 535 - Pension Service Credit	By 9/30/08, or earlier if mutually agreed.					
IFPTE Local 20 - Pension Service Credit	By 9/30/08, or earlier if mutually agreed.					
Special Parity Adjustments - NCAL						
Employees represented by OPEIU Local 30, IBT Local 166, USWA Local 7600, SEIU Local 535 (except AFN), SEIU UHW and all UFCW Locals in SCAL will receive a 4.23% Across-the-Board increase in year 3, in addition to the scheduled ATB.	To be implemented mid-year in year 3, as agreed by the parties.					
SEIU Local 535 – Psychiatric Social Workers in San Diego will receive an adjustment to close the geographic gap in wage rates between San Diego and Los Angeles service areas.	To be addressed in year 3.					

i Georgia implemented ATB increases in May 2005. Accordingly, the year 1 ATB Increase in Georgia will be applied as follows: 10/01/05 - 2%; and 5/01/06 - 1%.

ii The term RN means RN positions such as inpatient and outpatient RN (including Psychiatric RN), RNP, PA, CRNA, Nurse Midwife, Clinical Nurse Specialist or like positions, jointly agreed to, that are unique to the region.

iii Georgia implemented ATB increases in May 2005. Accordingly, the year 1 RN Differential in Georgia will be applied as follows: 10/01/05 - 0.5%; and 5/01/06 - 0.5%.

iv Northwest RNs: Inpatient night shift differential will be \$5.00, inpatient evening shift differential will be \$2.50. Outpatient RN wages will be at parity with inpatient. For RN, NP, PA, CNM, extra steps will be established in the scale at 16 and 20 years at 3% intervals, effective 10/01/05.

v In years 1 and 2, pursuant to a schedule agreed upon at the national table by SCAL union and management leaders, the general ATBs of 5% and 4%, plus the value of the RN differential, in addition to a total of \$27.5M, will be used to revise the steps and wages within the step structure for both UNAC and SEIU 535 / AFN Registered Nurses. In year 1, an additional \$2.5M will be used to increase UNAC differentials.

2. PARTNERSHIP BONUS

Partnership Bonus in Ohio, Georgia and Mid-Atlantic States. Coalition represented employees in the Ohio, Georgia and Mid-Atlantic States regions will receive an annual cash Partnership Bonus in each of the first and second years of the Agreement. The total amount available to fund the Partnership Bonus in each region will be 0.5% of represented employee payroll in that region in each year.

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, therefore should have a greater opportunity to share in performance gains. The parties support the Labor Management Partnership Performance Sharing Program (LMP PSP) as a way to continue the transformation of the organization, through Partnership, to a high performing organization and to share the success of the organization with employees covered by this Agreement.

The Strategy Group will be accountable for the LMP PSP. The Strategy Group may, but is not required to, establish national factors each year that will be included in all regional and local programs, together with regional and local factors. The Strategy Group will appoint a PSP Design Team to review the 2005 Performance-Based Pay BTG recommendations and make improvements to the LMP PSP by December 31, 2005, for the 2006 plan year. The emphasis will be on achieving simplicity, ease of administration and alignment with organizational and Partnership goals. This will provide employees a “line of sight” between their performance and the success of Kaiser Permanente through development of local programs under the LMP PSP.

Performance Sharing is over and above base wage rates and will be based on mutually-agreed-to performance factors and targets. The LMP PSP is self-funded through operating margin. Performance targets will be set by region or national function 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 for each year the Agreement is in effect. All amounts will be based on total payroll for employees covered by the Partnership in each region or national function.

Year 1- 3% payout at target to be paid out in First Quarter 2007, based on 2006 performance;

Year 2- 3% payout at target to be paid out in First Quarter 2008, based on 2007 performance;

Year 3- 3% payout at target to be paid out in First Quarter 2009, based on 2008 performance;

Year 4- 3% payout at target to be paid out in First Quarter 2010, based on 2009 performance; and

Year 5- 3% payout at target to be paid out in First Quarter 2011, based on 2010 performance.

The LMP PSP depends on 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 annual payouts, Partnership structures and processes must achieve critical thresholds to support the PSP. Further, jointly determined factors must be measurable against mutually agreed upon predetermined targets.

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 the LMP PSP, which provides an annual cash bonus opportunity based upon regional or functional area performance in the areas of quality, service, financial health and/or other mutually acceptable factors. The jointly designed program will reward partnership employees for reaching mutually agreed upon national, regional, and/or local targets.

The following agreements are currently reflected in the LMP PSP.

- *All Kaiser Permanente employees covered under this Agreement shall participate in the LMP PSP. 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 LMP PSP in addition to a payment from a current program. Instead, employees shall receive the higher of either the LMP PSP or their current program.*
- *At any time during the term of this Agreement additional sub-regional (local) plans may be mutually developed. In these instances, the covered employees will not receive a payment from the program that provides the highest payment.*
- *The program year shall be the calendar year, with a*

maximum of five mutually agreed upon factors set at the beginning of each year. The LMP PSP 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 LMP PSP will establish mutually agreed upon regional or functional annual targets with a bottom threshold (minimum payment) and an upper limit stretch target (maximum payment) in the areas of quality, service, financial health and/or other mutually acceptable factors. Regional or functional factors should be aligned with, and to the extent appropriate and mutually agreeable may be similar or identical to, physician and/or managerial incentive programs. 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.
- While the factors (i.e., quality, service, finance, etc.) may be different from region to region, the opportunity for reaching the selected targets, shall be consistent across all regions.
- 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.
- Employees must be in job classifications covered by this Agreement during the program year and be active on December 31st to receive a payment under the LMP PSP 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 this Agreement shall receive a pro-rated payment based upon compensated hours attained during the program year in a job classification covered under the Partnership.
- Distribution of the Performance Sharing pool will be calculated as a percentage of the regional or functional 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 LMP PSP 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.

B. HEALTH AND WELFARE BENEFITS

1. MEDICAL BENEFITS

a. Eligibility

- All employees who are regularly scheduled to work 20 or more hours per week are eligible for medical benefit coverage.
- Medical benefit coverage is effective the first day of the month following eligibility (e.g. date of hire, benefit eligible status, etc.). Initial coverage under flexible benefit plans is temporary, basic medical coverage. The selected medical coverage and other benefits in the flexible benefit plan will be effective the first day of the month following three (3) months of benefit eligible service.

b. Basic Comprehensive Plan

Kaiser Foundation Health Plan, Inc. (KFHP) has established a national account to enable the Employers to act as a national purchaser of health care benefits. The parties agree that discussions concerning any changes in benefits or benefit coverage contemplated by KFHP, Inc. should be joint and should be initiated no less than six months prior to the effective date of any proposed changes, and that such discussions should be concluded no less than three months prior to the effective date.

The parties agree that eligible employees covered by this Agreement shall be covered by the Basic Plan. The Basic Plan shall be based on a "Kaiser Foundation Health Plan Traditional HMO Plan". While the parties understand that some variation in benefits may be necessary, the intent is to achieve national uniformity where possible. The Basic Plan shall include outpatient and hospital and other services in addition to the following features:

- dispensed prescription drugs for up to 100 days/3 months for maintenance medications, barring state statutory or other legal or technical barriers;
- 100% allocation for Colorado mid-level option of the Flexible Benefits Plan;
- dependents (spouse, domestic partner, unmarried children up to 25, special dependents); and
- Durable Medical Equipment (DME).

On or after January 1, 2006, the Plan covering employees in the Northern California region will include a five (5) dollar office visit co-pay.

Flexible benefit programs in local labor agreements, amended to reflect the features above, will remain unless another plan is implemented by mutual agreement.

c. Parent Coverage

Parents and parents-in-law of eligible employees residing in the same service area will be able to purchase Health Plan coverage, in accordance with the Letter of Agreement between the parties made effective May 1, 2002 and modified by a subsequent agreement between the parties dated May 22, 2003 (attached as Exhibit 2.B.1.c.).

d. Health Care Spending Account

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 Internal Revenue Code.

e. Creation of a Flexible (Flex) Benefit Program and Recognition of Martin Luther King, Jr.'s Birthday

The parties have agreed to work together to implement a flexible benefit program and to identify a consistent way to recognize and celebrate Martin Luther King, Jr.'s birthday. The adoption of each program is dependent upon adoption of the other.

In the first year of the Agreement, the unions and management will design a program-wide, voluntary, flexible benefit program. The parties further agree to work on a consistent approach and implementation plan aimed at recognizing and celebrating Dr. King's birthday across the Program. The implementation of these programs would occur in the second year of the agreement (on a mutually agreeable date) and will be dependent on the parties reaching mutual agreement on the components of the programs.

This Flex program is intended to be offered as an alternative to traditional plans and would have no impact on existing flexible benefit programs.

The fundamental criteria for the Flex program would include the following:

- a fully-funded option that would mirror the traditional benefit plans, including long-term disability where an employer-paid plan exists;
- co-pays for the funded level would be the same as the traditional plan for the region;
- a provision that employees could opt out of the Flex program on an annual basis and return to the traditional plans, and vice versa, subject to insurance contract requirements;

- the program, at a minimum, would include health, dental, long term disability and life insurance components. It would not include ETO/PTO or other similar time off benefits; and
- a cash-out for opting out of benefits that would be low enough so that workers would have no incentive to opt out. (There would be a requirement that workers provide verification of health care coverage before being permitted to opt out.)

2. RETIREMENT BENEFITS

a. Defined Contribution Plan

The Employer will establish the following Employer Contribution Programs in the existing salary deferral plans:

- Beginning in 2006 and continuing throughout the term of the Agreement, a performance-based contribution of 1% of each represented employee's annual payroll earnings will be made if the region's performance equals or exceeds the budgeted margin plus 0.25. For example, if budgeted margin is 2%, actual margin of 2.25% is required for payment of the performance-based contribution, and if budgeted margin is 4%, actual margin of 4.25% is required for payment. The first performance-based contribution opportunity will be based on 2006 year-end performance, with the applicable contribution made in March of 2007.
- Beginning January 1, 2008 and continuing throughout the term of this Agreement, a match program will be established in addition to the performance-based opportunity described above. This program will match 100% of the employee's contribution, up to 1.25% of the employee's salary.

All employees with one or more years of employment will be eligible for the Employer Contribution Programs described above. The Employer contributions will vest in increments of 20% per year, with participants becoming fully vested five years after their participation begins. Employees covered by defined contribution plans established under local collective bargaining agreements will receive the higher of the benefit provided under the local agreement, or the benefit provided under this plan.

After the first year of the match program, the parties agree to meet and review factors and participation trends under the match program, in order to determine if any adjustments in enrollment practices or the Employer contribution rate are appropriate.

In 2009 and 2010, the Ohio, Georgia and Mid-Atlantic States regions will each make a supplemental annual

contribution (Contribution) to their respective Defined Contribution Plans if the region achieved its three-year cumulative budgeted margin for the 2006, 2007 and 2008 calendar years. The total amount of each Contribution will be equal to the additional annual pension expense the region would have incurred in that year had the region increased its Defined Benefit Plan multiplier to 1.45 at the beginning of that plan year. The assumptions used to calculate this value will be those in effect for the calculation of pension expense in the year in which the Contribution is to be made. No amounts will be contributed under this provision for any year in which the region has actually applied a 1.45 multiplier under its Defined Benefit Plan. No past service credit will be included in determining employer Contribution amounts. The design of the participant allocation of the Contribution will be determined prior to the date of the first Contribution, by agreement between the Coalition and management.

b. Defined Benefit Retirement Plan

Employees represented by Coalition unions are covered by the defined benefit retirement plans listed in Exhibit 2.B.2.b. The benefits will be governed by the Plan Documents in effect for each plan, as well as the Letter of Agreement between the parties regarding pension multipliers made effective January 7, 2002 and modified by a subsequent agreement between the parties dated May 22, 2003, as well as the Letter of Agreement regarding Early Reduction Factors made effective August 19, 2002 (all attached as Exhibit 2.B.2.b.). Those bargaining units with higher multipliers currently provided under local collective bargaining agreements will maintain the higher multipliers in accordance with those agreements.

Employees who are represented by the UFCW and are participants in Taft-Hartley trusts will have the following increases in the Employers' contribution:

- *Southern California - fifty (50) cents per employee per hour, effective October 1, 2005; and*
- *Northwest - thirty (30) cents per employee per hour, effective October 1, 2005, an additional thirty (30) cents per employee per hour effective October 1, 2006, and an additional thirty (30) cents per employee per hour, effective October 1, 2008.*

c. Continuation of Certain Retirement Programs

During the 2000-2005 term of the National Agreement, a number of unrepresented employee groups chose to become represented and form new bargaining units. At that time, the Coalition and Kaiser Permanente agreed that where a new bargaining unit was formed

of employees who were participants in the Kaiser Permanente Salaried Retirement Plans A and B, or Permanente Medical Group Plans 1 and 2, those benefit formulas would be temporarily maintained, despite the employees' transition into a new bargaining unit, in order to explore the possibility of developing a joint, consistent recommendation on how to handle retirement benefits in these circumstances. The parties agree that the bargaining units that retained these benefits under that side letter will continue to keep those benefits for the duration of this Agreement, unless the parties mutually agree to convert them to another plan.

The parties remain committed to working on a joint vision and strategy for retirement programs. To that end, the joint Labor Relations Sub Committee of the Strategy Group will be commissioned to explore the feasibility of a joint vision. Within that, the Labor Relations Sub Group will submit to the Strategy Group a recommendation on how to handle future employee groups who choose to become newly represented groups, and how to handle non-union employees who are accreted into existing bargaining units.

d. Pension Service Credits

Members of the RN, Dental Hygienist and Technical bargaining units in the Northwest region who converted from a Defined Contribution plan to a Defined Benefit plan in 2003-2004, will be eligible for pension service credits in accordance with the September 2005 Letter of Agreement between the Health Plan and OFNHP and ONA at the local level.

e. Investment Committee Representative

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

f. 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, provided that an affidavit certifying the partnership has been completed by the domestic partner and employee. This is not applicable to Taft-Hartley plans.

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 the Plan. The amount of the monthly benefit will be based on the employee's accrued benefit as of the date of death 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 or domestic partner's death and ending on the tenth anniversary of the employee's death.

g. GATT Amendment

All benefits under the defined benefit pension 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.

h. Retiree Medical Benefits

Effective January 1, 2006, for SEIU Local 105 employees in the Colorado region, the maximum monthly Employer-paid contribution towards retiree health care coverage for retirees with twenty-five (25) years of service will increase to \$150.00 per person per month. The Employer-paid contribution for retirees with less than twenty-five (25) years of service, but with fifteen (15) or more years of service, will be reduced by 4% for each year of service under twenty-five (25) years, with a minimum benefit of \$90.00 per person, per month.

For eligible retirees who move from one Kaiser Permanente service area to another Kaiser Permanente service area, a KFHP plan will be offered with a \$5 office visit co-pay and a \$5 prescription drug co-pay. This plan will be integrated with Medicare, when applicable.

For eligible retirees who move outside of any Kaiser Permanente service area, an Out-of-Area plan will be offered and will provide comprehensive inpatient and prescription drug coverage. This plan will be integrated with Medicare when applicable.

3. OTHER BENEFITS

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 the Internal Revenue 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.

c. Workers Compensation Leaves of Absence

Effective with workers' compensation leaves of absence commencing on or after October 1, 2000, up to 1000 hours of workers compensation leave(s) may be used toward determining years of service for purposes of meeting the minimum eligibility requirements for retirement or post-retirement benefits.

d. Disability Insurance

Beginning in the first year of the Agreement the eligible employees of the Northern and Southern California regions, and beginning January 1, 2007 the eligible employees of the Northwest region, shall receive long-term disability insurance coverage with the same benefit levels as those contained in the SEIU-UHW long-term disability plan in Southern California. (General description of SEIU-UHW long and short-term disability plan benefit levels for Southern California is attached as Exhibit 2.B.3.d.).

Beginning in the first year of the Agreement the eligible employees of the Northern and Southern California regions and beginning January 1, 2007, the eligible employees of the Northwest region, shall receive short-term disability coverage with the same benefit levels as those contained in the SEIU-UHW short-term disability plan in Southern California.

Employees in the above-mentioned regions with superior long-term and/or short-term disability coverage provided under local collective bargaining agreements shall maintain that coverage.

e. Employee Health Care Management Program

Kaiser Permanente will offer a comprehensive Employee Health Care Management Program to help employees manage their chronic diseases and other existing health issues. The goal of the program will be to reduce the incidence of these chronic diseases among employees. The Employee Health Care Management Program will be integrated with existing care management and employee health programs at the local level. The parties will jointly design an Employee Health Care Management Program and prepare an implementation plan to include a staffing plan, in the first year of the Agreement. The program will include metrics that measure the success of and gaps in the program and identify successful practices.

4. MAINTENANCE OF BENEFITS

Effective October 1, 2005, all employee health and welfare benefit programs provided under local collective bargaining agreements, including the co-pays and premium shares paid by the employee, will be maintained for the term of this Agreement. Exceptions will be made for:

- *changes that are legally required or mandated by regulators;*
- *minor changes in formularies;*
- *changes that result in a reduction in benefit level, but have a minimal or no impact on members (de minimus changes);*
- *treatment modality changes;*
- *changes in technology; or*
- *benefit reductions affecting the low option offered under a flexible benefits program, provided the benefit is available under a higher level option.*

The parties will meet prior to February 1, 2006 to agree upon a more detailed definition of de minimus changes. If no agreement is reached by March 1, 2006, the issues and areas of disagreement will be summarized and submitted to the Strategy Group for resolution.

A joint committee will be established at the national level to perform an annual review of the regional benefit programs which are subject to this provision, including traditional and flexible benefit plans. The committee will be provided timely annual summaries of such benefit programs and, where appropriate, will agree to changes.

Disputes arising under this provision will be submitted for review and resolution under Section 1.L.2. of the Agreement.

5. 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.

C. DISPUTES

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 Agreement first should be addressed at the local level by the parties directly involved in the dispute. Such disputes should be initially handled in accordance 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 fifteen 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 Coalition and one permanent representative designated by Kaiser Permanente. The NRC will meet within ten 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 fifteen 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 thirty days after ratification of this 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 Labor Management Partnership and the principles and philosophy of this 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 four 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 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 thirty 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 agreements. 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 thirty 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 Labor Management 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. COVERAGE

This Agreement applies only to bargaining units represented by local unions that Kaiser Permanente and the Coalition mutually agreed would participate in the national common issues bargaining process and who, prior to the effective date, agreed to include this 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 Agreement is recognized to represent a new bargaining unit 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 collective bargaining agreement and the appropriate transition to this Agreement.

B. THE NATIONAL AGREEMENT AND LOCAL AGREEMENTS

Provisions of local collective bargaining agreements and this Agreement should be interpreted and applied in the manner most consistent with each other and the principles of the Labor Management Partnership. If a conflict exists between specific provisions of a local collective bargaining agreement and this Agreement, the dispute shall be resolved pursuant to the Partnership Agreement Review Process in Section 1.L.2.

If there is a conflict, unless expressly stated otherwise, this Agreement shall supersede the local collective bargaining agreements; however, in cases where local collective bargaining agreements contain 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 collective bargaining agreement, this Agreement shall not be interpreted to deprive the employees of such wage, benefit or condition. It is understood that it is not the intent of the parties to inadvertently enrich or compound wages, fringe benefits or other conditions or to create opportunities for “cherry picking,” “double dipping,” etc.

C. NATIONAL AGREEMENT IMPLEMENTATION

The Partnership Strategy Group oversees and will hold their respective leaders accountable for implementation of the National Agreement, including:

- *coordinating an implementation plan;*
- *developing and enforcing accountability;*
- *sponsoring and chartering continued work;*
- *identifying needed support; and*
- *establishing metrics for implementation.*

D. DURATION, RENEWAL AND REOPENING

1. The duration of this Agreement is October 1, 2005 through September 30, 2008. It shall automatically renew itself for an additional two year period (October 1, 2008 through September 30, 2010), unless either the Coalition (by its Executive Director) or Kaiser Permanente (by its Vice President for the LMP) gives the other party written Notice of Reopening no later than ninety (90) days and no earlier than one hundred, twenty (120) days prior to October 1, 2008.
2. If either party to this Agreement gives timely Notice of Reopening to the other as set forth in Paragraph D.1., this Agreement and all local agreements that incorporate this Agreement as an addendum ("Relevant Local Agreements") shall be reopened with respect to Across-the-Board wage adjustments and Retiree Medical Benefits only ("Reopener Subjects"). Any and all negotiations conducted pursuant to this reopener shall be conducted at the national level by the CIC. There shall be no local negotiations, and no other subjects shall be addressed.
 - a. If this Agreement is reopened pursuant to Paragraphs D.1. and D.2., above, and the parties reach agreement with respect to the Reopener Subjects before October 1, 2008, this Agreement shall automatically renew itself for an additional two-year period, and any and all agreed upon changes with respect to Reopener Subjects shall be incorporated into this Agreement and the Relevant Local Agreements.
 - b. If this Agreement is reopened pursuant to Paragraphs D.1. and D.2., above, and no agreement is reached with respect to the Reopener Subjects before October 1, 2008, this Agreement shall automatically renew itself for an additional two-year period on all other existing terms and conditions, provided, however, that the parties may continue to negotiate concerning the Reopener Subjects until such time as agreement is reached on those subjects or negotiations con-

clude. Any and all changes resulting from such continued negotiations shall be incorporated into this Agreement and the Relevant Local Agreements.

3. This Agreement also affects the duration, renewal and reopening of Relevant Local Agreements as follows:

- a. Unless otherwise effective earlier as set forth in paragraph 3.b., below, all Relevant Local Agreements shall be effective as of October 1, 2005 and remain in effect until midnight on September 30, 2008. They shall automatically renew themselves, unless Notice of Reopening is given in accordance with Paragraph D.1. above, for an additional period that depends on their classification under the 2000 National Agreement, as follows:
 - **GROUP I** (local collective bargaining agreements with expiration dates on or before September 30, 2005): The renewed period for Group I agreements will begin October 1, 2008 and expire on the anniversary in 2010 of their original Group I expiration date.
 - **GROUP II** (local collective bargaining agreements with expiration dates between October 1, 2005 and January 31, 2007): The renewed period for Group II agreements will begin October 1, 2008 and extend through January 31, 2012 on the anniversary of their original Group II expiration date. In the event of such automatic renewal, employees covered by Group II agreements will receive a wage increase on October 1, 2010 of not less than 3% ATB. The 3% may be increased by an escalator method based on the BTG wage philosophy factors recommended to the Common Issues Committee on July 6, 2000. The method will be determined no later than April 1, 2007. The method and its application will be subject to resolution in the review process in Section 1 of this Agreement.
 - **GROUP III** (local collective bargaining agreements with expiration dates on or after February 1, 2007): The renewed period for Group III agreements will begin October 1, 2008 and expire on or after February 1, 2012 on their original Group III expiration date. In the event of such automatic renewal, Group III agreements will be reopened on a staggered basis between October 1, 2010 and April 1, 2011. The actual dates to reopen each Group III agreement will be determined no later than April 1, 2007. Group III reopener settlements will apply up to

the extended expiration date of the Relevant Local Agreement or for a new full term if jointly determined in local bargaining.

- b. Any Relevant Local Agreement entered into during the 2005 bargaining cycle prior to October 1, 2005 shall be effective as of the date of execution. Provisions of this Agreement incorporated as addenda to such a Relevant Local Agreement shall become effective as of October 1, 2005.
 - c. If Notice of Reopening is given in accordance with Paragraphs D.1. and D.2., above, the renewal provisions of Paragraphs D.2.a. and D.2.b. shall apply to the Relevant Local Agreements in the same manner as to this Agreement, except that the duration of a renewed Relevant Local Agreement shall be the period designated for its Group as set forth in Paragraph D.3.a., above.
4. All terms of the renewed Agreement shall expire at midnight on September 30, 2010, except for the wages, performance sharing opportunities, and benefits as identified in Section 2 of the Agreement. Those excepted provisions shall continue in effect until the expiration dates of the Relevant Local Agreements.

E. LIVING AGREEMENT

The parties acknowledge that during the term of this Agreement, a party at the national level may wish to enter into discussions concerning subjects covered by this Agreement or to modify specific provisions of this Agreement or a party at the local level may wish to enter discussions concerning subjects covered by the local collective bargaining agreement or to modify its specific provisions. 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 this Agreement or the local collective bargaining agreement.

EXHIBITS

Exhibit 1.B.1.b

2005 Performance Improvement BTG Report, Page 7

By centering Partnership on DBTs, we also expect to eliminate parallel, duplicative structures in the organization. There will be fewer meetings, and more will be accomplished because all of the stakeholders are at the table from the beginning. This should help increase union capacity to partner, as well as reduce backfill issues.

We will know how well DBTs have performed by reviewing their performance on the metrics they have chosen, which will be aligned with the goals developed at the higher levels of the accountability structure in Recommendation 1. We would also expect to see improvements on People Pulse scores regarding influence over decisions, involvement in decisions, knowledge of department goals, and use of employees' good ideas.

Developing and implementing DBTs will incur costs, particularly for readiness training, described in more detail in our Recommendation 4, as well as release time and backfill.

IMPLEMENTATION ISSUES

A key enabler of this recommendation should be the growing sense of urgency, even crisis, among many of us that unless we make Partnership real to front-line employees, supervisors and stewards in the very near future, we will lose the opportunity forever. There is an equally motivating sense of crisis in the health care market – make significant performance improvement now, or lose market share. At the same time, we are well positioned to implement DBTs at this juncture: we have a shared vision of a high performing Partnership, we are committed to engaging employees, and we have the resources in place to support the development of DBTs.

We will have to overcome some barriers, including competing priorities and difficulty in measuring results across the program. We will have to work hard to overcome the project mentality that has taken hold of Partnership – it's a separate, parallel, off-line activity, rather than the way we do business every day. There may also be some concern over the idea that partnering in the business means shifting supervisor work to the DBT members.

TIMELINE

We envisioned a phased approach to implementation, with the first year focused on readiness training and education and developing a plan to enable employees, supervisors and stewards to operate differently. Again, some parts of the organization already do use DBTs; this plan will provide support for those that do not. The remaining years of the 2005 contract would be spent implementing DBTs, and measuring success based on the jointly developed metrics.

- 2006: Plan for and agree on a plan to prepare employees, supervisors and stewards to partner in Department Based Teams. Plan will cover needs for business education, training, facilitation, etc.
- 2007: Jointly-developed budget and regional performance objectives in place.
- 2008: Organization begins to see significant performance improvement attributable to DBTs.
- 2010: 100% of the organization operating in DBTs.

Exhibit 1.C.4(1)

2005 Scope of Practice BTG Report, pages 14-17

Section X: References

Reference 1: National Compliance Plan

Reference 2: Regional Scope of Practice Committee Structure and Process

Region	SOP Committee Structure and Process Summary
<p>COLORADO</p> <p>PURPOSE</p> <p>MEMBERSHIP</p> <p>REPORTING</p>	<p>The purpose of the Scope of Practice Oversight Committee is to provide region-wide monitoring, leadership, and oversight for compliance with legal, accreditation, and organizational scope of practice requirements. To achieve this purpose, the committee will:</p> <ul style="list-style-type: none"> • <i>Assure alignment of Health Plan, CPMG and union leadership to address scope of practice risks,</i> • <i>Identify and prioritize clinical areas at risk for Scope of Practice violations,</i> • <i>Assure clear delineation of accountabilities between practitioners (physicians and allied health professionals) in job descriptions, care delivery documentation, and information systems,</i> • <i>Assure that a process to identify and stay current on scope of practice and related billing laws, regulations, and accreditation standards for all practitioners is in place,</i> • <i>Communicate physician responsibility for assuring the quality of medical services found in care delivery models, clinical guidelines, clinical policies, and quality standards,</i> • <i>Assure that reviews of existing and new care delivery models are conducted, in consultation with Compliance, Risk Management and Legal as appropriate, for scope of practice consideration, and</i> • <i>Assure scope of practice corrective action plans are developed and implemented as appropriate.</i> <p>CHAIR AND MEMBERSHIP</p> <p>The Regional Compliance Officer and Director of Business and Clinical Risk Management co-chair this committee. The membership shall consist of representatives from Behavioral Health, Pharmacy, Nursing, Operations, CPMG, Local 7, Local 105, HR, and Coding.</p> <p>At least annually, representatives of the SOP Oversight Committee shall meet with and report to the Colorado Compliance Executive Committee. The report shall include:</p> <ul style="list-style-type: none"> • <i>Assessment of current SOP risk areas, and recommendations to mitigate risk,</i> • <i>Information on monitoring and internal controls present in operational areas,</i> • <i>And a summary of significant SOP activities undertaken since the last report</i>

Exhibit 1.C.4(1)

continued

Section X: References

continued

Region	SOP Committee Structure and Process Summary
<p>GEORGIA</p> <p>PURPOSE</p> <p>MEMBERSHIP</p> <p>REPORTING</p>	<ul style="list-style-type: none"> • <i>Assure scope of practice review is completed for all applicable clinical staff in health plan and medical group.</i> • <i>Identify and clarify all scope of practice issues identified.</i> • <i>Report findings of scope of practice review to Regional President and Medical Director.</i> • <i>Develop a process and identify accountabilities to assure corrective action plans are developed, implemented, evaluated for effectiveness and monitored over time to assure required practice changes have occurred.</i> <p>Membership consists of representatives from health plan, medical group, risk management, labor and HR functions for Health Plan and Medical Group. Sponsors are Dr. Debra Carlton and Leslie Litton as leaders of the HealthConnect Implementation Project.</p> <ul style="list-style-type: none"> • <i>Regional President</i> • <i>TSPMG Medical Director</i> • <i>Chief Compliance Officer</i>
<p>MAS</p> <p>PURPOSE</p>	<p>The Scope of Practice Committee is the oversight body for regional scope of practice issues. The Committee will review and address scope of practice issues and risks for both licensed and unlicensed clinical and support staff to ensure compliance with legal, accreditation, and organizational requirements and improve upon patient safety and operational effectiveness.</p> <p>The Committee Will:</p> <ul style="list-style-type: none"> • <i>Develop and maintain an inventory of scope of practice requirements by position type;</i> • <i>Review and approve protocols, policies and procedures created by the Committee to meet scope of practice regulations and requirements for unlicensed and licensed clinical and support staff;</i> • <i>Develop and oversee implementation of annual scope of practice work plan and action items;</i> • <i>Establish a mechanism for recurring review of clinical position descriptions;</i> • <i>Evaluate existing and proposed clinical practices for scope of practice risks and/or violations and the impact on scope of practice;</i> • <i>Develop and oversee scope of practice training and education throughout the region;</i>

Exhibit 1.C.4(1)

continued

Section X: References

continued

Region	SOP Committee Structure and Process Summary
<p>SCAL</p> <p>PURPOSE</p> <p>MEMBERSHIP</p> <p>REPORTING</p>	<p>SCOPE AND AUTHORITY:</p> <ul style="list-style-type: none"> • <i>Identify areas of risk, facilitate resolution and implementation of actions and monitor Scope of Practice across all care venues</i> <p>CO-CHAIRS:</p> <ul style="list-style-type: none"> • <i>AMD, SCPMG</i> • <i>SVP & SAM, KFHP/HP</i> <p>MEMBERSHIP:</p> <ul style="list-style-type: none"> • <i>Vice President, Quality and Risk Management, KFHP/KFHP</i> • <i>Executive Consultant, Quality and Risk Management, KFHP/KFHP</i> • <i>Executive Director Patient Care Services, Operations, KFHP</i> • <i>Manager of SCPMG Nursing Administration, SCPMG</i> • <i>Medical Group Administrator, Bellflower, SCPMG</i> • <i>Medical Group Administrator, South Bay, SCPMG</i> • <i>Counsel, KFHP</i> • <i>Senior Consultant AR&L</i> • <i>Labor Coalition Representative</i> • <i>Project Support: Management Consulting</i> <p>REPORTING</p> <ul style="list-style-type: none"> • <i>Southern California Regional Compliance Leadership Committee</i> • <i>Southern California Quality Committee SCQC</i> • <i>Southern California President and Regional SCPMG Medical Director</i>
<p>NORTHWEST</p> <p>PURPOSE</p>	<p>To address regional scope of practice issues for both licensed and unlicensed clinical and support staff in order to identify and address areas for improvement in compliance, patient safety and operational efficiencies.</p>

Exhibit 1.C.4(2)

2005 Scope of Practice BTG Report, pages 9-11

Section VI: Education Plan**I. Basis for Recommendation**

By providing SOP education, we can increase staff awareness and enhance the quality of patient care. Currently, little front line education is provided to KP Employees about SOP issues, and the consequences of non-compliance.

II. Accountabilities for SOP Education for Patient Care Staff, Management, and Physicians**National**

- *Create SOP Education "Toolkit"*
-developed by content experts in LMP context
- *Create annual updates on SOP development*

Facility/Service Area/Region

- *Provide a 2 to 4 hour basic SOP training for all staff, managers, and physicians*
- *Provide release time for training and backfill needs*
- *Provide skills training related to SOP to encourage working towards full scope. This includes new and remedial skills training as a result of advances in technology (i.e. KP HealthConnect), changes in regulations, and changes in assignments.*
- *Provide on-going in-service education on SOP*
- *Provide new employee orientation on SOP*

Individual

- *Participate in mandatory KP SOP Training*
- *Attend CEUs as required*
- *Know own SOP; be aware of SOP of other team members*

III. SOP Education Toolkit Content

Model after LMP "Think out of the Box" tool kit. (Tool kit should be developed with input from content experts and in LMP)

Part A (Initial Basic Training Tool Kit)**1. What is SOP?**

Why is it important?

History of KP SOP issues

2. Individual SOP/licensure requirements

Laws and regulations impacting SOP

-State specific

KP SOP policies

3. What is the process to get SOP issues or concerns addressed?

How to elevate a concern for resolution:

- tree
- FAQs
- decision ADO form
- Compliance hotline

4. Scope of Practice Limitations:

-What are the legal risks and consequences of exceeding SOP?

Part B (Additional/On-Going Training Materials)**1. Video presentation**

-Legal, NCO, Labor, NLT representatives speaking on importance of SOP

-Case studies/dramatizations of SOP situations

IV. Implementation of SOP Education**A. Phase I**

- *Identify National LMP task group to develop SOP tool kit by 12/31/2005*
- *Produce Part A SOP tool kit by 3/31/2006*
- *Design, test, and conduct 2 – 4 hour mandatory basic training for SOP, to include Part A tool kit, by 6/30/2006*

B. Phase II (Timing to be determined by CIC)

- *Develop Part B of SOP tool kit*
- *Provide on-going, updated SOP training utilizing department staff meetings, and Part B tool kit.*
- *Develop and provide skills training programs*
- *Develop SOP module for New Employee Orientation Program*
- *SOP competency to be part of job descriptions and annual evaluation process*

C. Additional Consideration

- *CEUs should be available for participation*

- Labor and management accountability for ensuring participation
- Integrate concepts in KP HealthConnect training
- Pre and Post testing for evaluation and CEU's
- Fun, creative, and engaging training (i.e. Scope of Practice week, Jeopardy Game, etc)

V. Costs Associated with Recommendation

- High initial cost for broad-based employee training and tool kit
- Preventive expenditure; should prevent fines and penalties for noncompliance; costs of litigation; reputation damage
- Return on investment will be significant
- Look at existing internal structures to help support training and tool kit (i.e. KPHC CBA, Dept meeting)

VII. Implementation

1. Within 90 days of ratification, across the program, leadership will:

- Assess standing committees that may impact SOP;
- Determine which committee at each level is best positioned to coordinate and integrate SOP issues; and
- Assure that committees are operating within LMP process, structure and following the SOP Vision and Principles

2. Resource and implement education plan, with initial phase completed by mid-year 2006

3. Establish reporting systems/metrics

- Annual regional SOP report to National Strategy Group
- Tracking system of SOP issues for regional sharing of successful practices

4. Develop and implement a communication plan

Exhibit 1.F

2005 Attendance BTG Report, Concept #3, pages 20-23

Budgeting, Staffing and Scheduling

Concept #3: Provide budgeting, staffing and scheduling at the unit level to ensure adequate backfill for time-off.

Interests/Objectives

- Provide backfill so employees are able to use leave benefits appropriately and take time off when requested.
- Provide adequate staffing within the budget to cover the work operations and other work-related requirements.
- Ensure forward-looking planning to anticipate and provide for future staffing needs.
- Budget realistically to provide for all components of legitimate time off from work and apply those budget components as intended.
- Accurately track requests for time-off to provide managers and employees with transparent data on time off.

N. APPROACH:

Staffing Model

1. Each unit develops a unit level staffing model (core staffing) that specifies the staffing needed to cover operations (refer to joint staffing language in the National Agreement). The model will include assumptions about productivity and performance that reflect both historical experience and expectations of process improvements.
2. The model will include workload factors such as seasonal fluctuations.
3. The model will also include all time away from work and work-related assignments
4. The staffing model identifies core staffing levels for various operating levels and identifies triggers for backfill based in part on service level metrics (e.g. if service levels fall below a certain defined point).
5. The model must account for specialized skills and hard-to-fill occupations.
6. There will be no automatic backfills: it will be based on the staffing model which may specify different staffing coverage in different operating circumstances.
7. The staffing model will be reviewed on an annual basis and adjusted as needed.

Workforce Planning

1. Each unit will jointly develop an annual workforce plan to cover the staffing requirements defined in the staffing model.
2. The workforce plan will be reflected in the unit staff and backfill budget.
3. The plan will project staffing availability based on the current employees, contractual time off, actuarially-based illness and injury, and workforce demographics.
4. The plan will identify ways to cover short term staffing needs such as full time, part time, on-call, overtime, float pool, cross-training, flexible assignments, etc. in a way that allows a relatively stable permanent workforce while striving for full workforce utilization.
5. The plan will also identify the need to recruit, train and develop employees to fill operational requirements in the future.

Budgeting Process

1. At a regional level, the budgetary process will include a line item for backfill/replacement in each unit budget.
2. The process for developing the regional budget for backfill will include meaningful labor input and participation.
3. A replacement factor will be established as a multiple of the payroll budget that will be based on contractual time off (vacations, holidays, etc.), an actuarially-based projection of illness and injury including FMLA projections based on previous years, and provision for other activities such as training, meetings and LMP projects.
4. The replacement factor may be adjusted by operating needs as reflected in the staffing model (i.e. replacement staff may not be needed in certain situations).

Budgeting Illustration

Time off Budget (per employee)		
Vacation (average)	20.0	days
Holidays	6.0	
Personal days	3.0	
Sick leave (average)	7.3	
FMLA	1.8	
Workers Comp	.9	
Education/Training	5.0	
Meetings (1 hour/week)	6.0	
Projects/improvements (average)	2.0	
Total	52.0	days

Total time off: 52 days / (52 weeks x 5 days = 260 days) = .20 or 20%

Discount (assuming replacement does not occur in 40% of cases due to workload, scheduling and flexibility): .20 x .40 = .08 or 8%

Net time off factor for budget (.20 - .08 = .12) or 12% replacement factor

May need to adjust the factor if the unit chooses to backfill a significant percent of time off with higher cost sources (overtime or temp agency) instead of permanent staff.

Budget Line Items

Personnel	\$ 1,000,000
Benefits @ 42%	420,000
Backfill @ 12%	120,000
Total Personnel budget	1,540,000

Innovative Work Schedules and Scheduling

1. Local units should consider flexible work schedules to enhance the ability of the unit to provide scheduled time off. Examples of flexible work schedules includes: flex scheduling, telecommuting, job sharing, etc. (See p.13 of the National Agreement. This states "Respect for seniority and union jurisdiction, flexibility for employees' personal needs... Flexibility

in work scheduling, work assignments and other workplace practices.”).

2. Local units should consider self-scheduling concepts including self-directed teams where work groups would have responsibilities and be allowed to schedule themselves to accomplish them within defined parameters.
3. Facilities should consider services, vouchers or referral services to help employees address family issues (e.g. childcare or eldercare).

Tracking Time Off Requests

Short Term

1. Develop a basic system to capture data on requests for time-off, approvals, denials and reasons for denials. The system may be a manual tracking sheet or a stand alone computer application.
2. Use collected time off data to set targets for time off requests and to support scheduling.
3. Establish reporting of time-off data.
4. Complete and file time off request reports at business unit level.
5. Create monthly summaries of time-off requested, taken, and denied and submit to Region to establish a region-wide view.
6. Consider limiting requests for denial data to those areas identified as high-absenteeism areas, as part of a specific intervention process.

Timeframe: Implement time-off reports by June 30, 2006

Long Term

1. Integrate and automate time off requests and approval/denial into scheduling and/or timekeeping systems.
2. Integrated systems will include reporting at a unit level to facilitate administration of time off requests as well as roll up reporting to regional and national levels.
3. Each employee will have access to their own time off request and status tracking via a self-service system such as a website.

Administering Time Off

1. Within the staffing plan, management and employees will work together to provide the flexibility, including flexible work schedules, to allow time off.

Time off will not be allowed to compromise operating goals such as quality, service levels or safety.

2. Management and labor will jointly develop a system for requesting and approving or denying time off that is prompt, fair and transparent.
3. Front line management and labor will jointly develop targets for percentage of requested time off granted.
4. Using data from the tracking system, the unit will jointly monitor requests for time off for time off and work together to correct shortfalls.

Exhibit 1.H.3

May 22, 2003

(Relevant section only)

Applicable to all classifications.

It is the intent to discontinue the practice of scheduling/requiring mandatory overtime. Effective August 15, 2003, mandatory overtime will not be used except in a government declared state of emergency. Even in a state of emergency, the facility/facilities will take all reasonable steps to utilize volunteers and to obtain coverage from other sources prior to mandating overtime. The pre-implementation time will be used to assess practices and develop new scheduling processes to make the discontinuance of mandatory overtime possible.

Specifically, the parties will jointly review where the practice of mandatory overtime exists and work with department staff to develop procedures, processes and solutions to avoid this need in the future. At the end of the pre-implementation period, it is expected that joint processes/procedures will be in place to assure successful implementation of the elimination of mandatory overtime after August 15.

Mandatory Overtime – Principles and Tools

We have a mutual vision, to make Kaiser Permanente the best place to work, as well as the best place to receive care. Through the Partnership, unions, management and employees are sharing responsibility, information and decision making, to improve the quality of care and service and enrich the work environment. The ability to rely on a stable schedule is fundamental to this equation and

the parties have therefore committed to discontinue mandatory overtime practices. Our overall goal is to avoid the mandatory assignment of unwanted work time, outside of schedule requirements of the posted position.

A recent review indicated that there are very few departments or units where the problems resulting in the need for mandatory assignments remain. As a result, the parties have jointly prepared the following principles and tools to assist those areas in problem solving the issues and achieving the goal.

Principles

- *There is value in achieving the goal.*
- *Patient care is of utmost importance.*
- *Stability in work schedules is of utmost importance.*
- *Respecting personal responsibilities and lives contributes to overall morale and commitment.*
- *Management, Union and Employees should work collaboratively to identify the underlying issues and seek solutions.*
- *Problems should be approached in an interest-based manner.*
- *If the problems creating the situation or solutions are beyond the control of the concerned department, the employees, union and management will prepare a joint summary of the problem(s) and potential temporary and long-term solutions.*
- *For situations that are not resolved at the work unit level, every region will establish a joint review and appropriate problem solving (i.e. issue resolution) process that provides for escalation to the highest joint partnership body for the Region. Ultimate solutions will be crafted in conjunction with Senior Regional and Union Leadership.*

Tools

Departments/units needing assistance in achieving the goal are encouraged to use the following tools in problem solving:

- *Interest Based Problem Solving*
- *Mandatory Work Prevention Process developed by joint team in NCAL (attached)*
- *Joint Staffing Processes*
- *Root Cause Analyses*

Exhibit 1.K.4

MEMORANDUM OF UNDERSTANDING REGARDING SUB-CONTRACTING

Between

KAISER FOUNDATION HEALTH PLAN/
HOSPITALS, THE PERMANENTE MEDICAL GROUPS

And

THE COALITION OF KAISER PERMANENTE UNIONS,
AFL-CIO

Preamble

This MOU is entered into by the parties pursuant to the National Agreement, as a supplement to the provisions of:

Section 1: Privileges and Obligations of Partnership
D: Union Security
4: Sub-Contracting

Kaiser Permanente and the Coalition of Kaiser Permanente Unions have agreed that the achievement of the Labor Management Partnership vision is critical to the success of the organization. The parties are committed as partners to the advancement of each other's institutional interests. This includes an understanding that no party will seek to advance its interests at the expense of the other party. The parties have also agreed to a joint decision-making process in which they will attempt to reach consensus on a broad range of business issues. It is within this framework that the National Agreement reaffirmed a partnership presumption against future subcontracting of bargaining unit work because it does not support the fundamental relationship between the parties.

A core interest of the Unions is to improve the quality, service and performance of Kaiser Permanente and further to improve the lives of their members through effective representation, and their ability to achieve that objective is enhanced by growth and reduced by erosion of their bargaining units; however, the parties agree that there could be extraordinary circumstances under which they might agree that bargaining unit work could be subcontracted. They also wish to consider the possibility of insourcing work that has previously been outsourced.

In order to assure that future subcontracting and insourcing of subcontracted work is aligned with the vision of the Labor Management Partnership, the following provisions have been adopted:

I. Definitions

Extraordinary Circumstances

The Partnership recognizes these interests through a presumption against sub-contracting; however, the Partnership also recognizes sub-contracting is appropriate in meeting day to day business needs, temporary peak work loads, hard to fill vacancies. In addition, sub-contracting could be appropriate in extraordinary circumstances, defined as significant quality, service, patient safety, workplace safety or cost savings opportunities that are of sufficient magnitude as to override the presumption against sub-contracting.

Bargaining Unit Work

Work currently performed by bargaining unit employees anywhere in the Region.

Future Subcontracting

Any new or additional contracting of bargaining unit work.

Insourcing

Internalizing work that was previously performed in the bargaining unit, or which is Union eligible, that has been outsourced, to be performed by bargaining unit employees.

Feasibility Analyses

A joint process used by labor and management representatives to evaluate the feasibility and necessity of outsourcing or insourcing specific work, considering cost, quality, service, safety and efficiency by consensus decision-making.

Costs

Capital expenditures, equipment, supplies, and FTE efficiencies, but excluding the cost of wages and benefits.

II. Guidelines

Notification

Partnership bargaining unit work will not be subcontracted except as described in extraordinary circumstances above. When Kaiser Permanente believes that current or future partnership bargaining unit work should be subcontracted and further believes that there are reasons to subcontract, such as extraordinary circumstance, Kaiser Permanente will notify the appropriate union and the Coalition of Kaiser Permanente Unions, in writing, of the desire to meet and discuss subcontracting of specific work. A Union wishing to initiate consideration of insourcing certain contracted work will likewise notify Kaiser Permanente of its desire to meet and discuss the issue.

Process

An initial meeting will occur as soon as possible following the date of written notification to the Union or to Kaiser Permanente. Kaiser Permanente management will be responsible for coordinating the meeting. A Committee of at least two union and two management representatives, with knowledge of the specific work under consideration, will be appointed to establish timelines for completion of the analysis, conduct the analysis, and develop a written report that summarizes the results of the analysis and states the subcontracting or insourcing recommendation to Management and Union Leadership.

Interest-based Problem Solving will be used to define the work done by the Committee. The Key Principles for Subcontracting (see Part 3) should guide the decision-making process.

The feasibility analysis should result in the development of one or more options from which the Committee will recommend one to the parties. One option to consider is the feasibility of implementing a rapid cycle improvement process that could achieve similar or better results when compared to the subcontracting option. The involved Union or Management may submit an alternative option, which will be considered by the Committee before making its final decision.

Once the analysis has been completed, the Committee will reach consensus on a recommendation on whether or not to subcontract or insource the work or consider an alternative course of action. If the committee is unable to reach consensus, either party may submit the issue(s) to the next level for resolution in accordance with the National Agreement.

III. Key Principles

Key Principles will guide the approach to subcontracting and insourcing, leading to consistency and standardization across the organization. Regional outcomes should be consistent with the national guidelines in the following areas:

Category	Subcontracting Principle	Insourcing Principle
OPERATIONAL FEASIBILITY	There has been consistent demonstration of the organization's inability to acquire or develop the expertise or capability required to effectively provide needed services. Quality, service, cost, workplace and patient safety will be considered in the study.	<p>The potential workforce must have the expertise, capability, flexibility and knowledge base to enter and provide the needed service(s) with reasonable startup time or training.</p> <p>It is understood that any decision to insource work will require an adequate transition period for implementation.</p> <p>Quality, service, cost, workplace and patient safety will be considered in the study.</p>
STAFFING	The labor pool from which positions are filled is insufficient to meet demand. A business analysis illustrates the cost prohibitive nature of recruitment / retention of staff, excluding labor rates and benefits costs.	The potential workforce is available in the labor market to allow KP to recruit for positions required by the proposed insourcing project.
COST	A business analysis shows that retaining the services would be significantly more costly than comparable competitor operations, excluding labor rates and benefit costs, and puts the organization at a significant competitive disadvantage.	A business analysis has been completed for the insourcing option. The business analysis indicates that the insourcing option is significantly less costly than the contracted vendor, excluding labor rates and benefit costs.
QUALITY	It has been demonstrated that the organization does not have the core competencies required to provide the desired quality of service or to provide them efficiently. There has been a demonstrated inability to acquire the core competencies for success.	The insourcing solution complies with and ensures the quality standard that is acceptable and efficient to the organization.
LABOR RELATIONS	The union should receive adequate notification of the desire to subcontract services. All applicable provisions of the National Agreement will be adhered to, by the Coalition and Management.	Wages and job duties/descriptions are created, confirmed and negotiated, as necessary. Jurisdictional issues are clarified

Category	Subcontracting Principle	Insourcing Principle
CONTRACTING AND COMPLIANCE	The subcontracting solution does not create or result in liability with any existing contracts or other unions/bargaining units performing the work. Compliance with requirements of JCAHO, EEOC, HCFA, Title 22 and SMWBE (Small, Minority, Women-owned Business Enterprise) are ensured.	The insourcing solution does not create or result in liability with any existing vendor contracts or other unions/bargaining units performing the work. Compliance with requirements of JCAHO, EEOC, HCFA, Title 22 and SMWBE (Small, Minority, Women-owned Business Enterprise) are ensured.
EMPLOYER OF CHOICE	The subcontracting solution should be in keeping with the vision of KP becoming the Employer of Choice. The subcontracting solution supports KP's involvement in community service.	The insourcing solution will support KP's involvement in community service and contribute to KP being the employer of choice.
ONGOING REVIEW	If a decision results in keeping the function/service in KP, results will be periodically reviewed to determine if efficiencies were achieved. In the event the goals/efficiencies are not achieved, subcontracting will become an option.	If a decision results in bringing work into KP, the service or function will be periodically reviewed to determine if efficiencies/goals were achieved. In the event the goals/efficiencies are not achieved, subcontracting will become an option.

Exhibit 2.B.1.c**LETTER OF AGREEMENT
PARENT MEDICAL COVERAGE**

In accordance with Section 2, B, 1 (b), of the 2000 National Agreement, effective May 1, 2002, Kaiser Permanente will offer federally non-qualified group medical coverage to parents of employees represented by a National Partnership Union.

In order for an employee's parents to qualify for this coverage, the employee must be an active employee and be eligible for medical benefits, whether or not he or she actually enrolls in Health Plan coverage.

Benefits included in Parent Medical coverage are:

- *\$5 doctor's office visits*
- *\$5 prescription drug coverage*
- *Uncapped prescription drug benefit*
- *\$5 hearing and vision exams*
- *No charge for inpatient hospital care*
- *No charge for lab tests and x-rays*
- *No charge for allergy testing and treatment*
- *\$25 emergency department copayment*
- *No charge for approved ambulance services*

Individuals who enroll in Parent Medical Coverage will be responsible for the entire amount of the premium for their coverage, as well as for any applicable copayments and any Third Party Administrative fees. Kaiser Permanente will not subsidize any portion of the premiums.

Bill Rouse

Benefits Task Force Labor Co-Chair UNAC/UHCP,
AFSCME

Ellen Canter

Benefits Task Force Management Co-Chair
VP, Benefits and HR Administration
Kaiser Permanente

**INTENT
PARENT MEDICAL COVERAGE**

In accordance with the 2000 National Agreement, effective May 1, 2002, Kaiser Permanente will offer federally non-qualified group medical coverage to parents of employees represented by a National Partnership Union.

Eligibility**Eligible Employees**

In order for an employee's parents to qualify for this coverage, the employee must be an active employee represented by a Kaiser Permanente National Partnership Union and be eligible for medical benefits, whether or not he or she actually enrolls in Health Plan coverage. An employee is also considered eligible if he or she retired from Kaiser Permanente as a member of a National Partnership Union between October 1, 2000 and March 1, 2002, in accordance with the provisions of his or her retirement plan.

Eligible Parents

The following are considered eligible parents and may enroll in Parent Medical Coverage as long as the employee through whom they claim coverage meets the eligibility requirements above:

- *Employee's natural parents.*
- *Employee's stepparents, if still married to or widowed from employee's natural parent. Widowed stepparents who remarry will not be eligible for coverage.*
- *A domestic partner of employee's parent. The domestic partner will be required to complete an Affidavit of Domestic Partnership.*
- *Employee's spouse's or domestic partner's natural parents.*
- *Employee's spouse's or domestic partner's stepparents, if still married to or widowed from spouse's or domestic partner's natural parent. Widowed stepparents who remarry will not be eligible for coverage.*
- *A domestic partner of spouse's parent. The domestic partner will be required to complete an Affidavit of Domestic Partnership.*

To be eligible, parents and parents-in-law must reside in the same region as the Partnership Union employee through whom coverage is being offered. For the purposes of this plan, Northern California and Southern California will be considered separate regions.

Dependents of parents are not eligible for this coverage.

Enrollment in Parent Medical Coverage

Enrollment for Parent Medical Coverage will only be allowed only during designated enrollment periods:

- *There will be an annual open enrollment period.*
- *New employees will have 31 days from their date of hire to enroll their eligible parents. Coverage will be effective on the 1st of the month following enrollment.*
- *Employees who have a change in eligibility status (e.g., change from a non-benefited to a benefited status, or a marriage or divorce) will have 31 days to enroll or disenroll parents from coverage. Coverage will be effective on the 1st of the month following enrollment.*
- *Employees and their eligible parents are required to fill out and return all necessary forms and provide any requested documentation prior to enrollment.*
- *Each eligible parent must enroll separately. In addition, enrollees who are eligible for Medicare Arts A & B must submit a Senior Advantage enrollment form.*
- *Parents may enroll outside of the open enrollment period if they move into the region, or become newly eligible for Medicare, within 31 days of the qualifying event.*
- *Parents who disenroll from this coverage for any reason must wait until the next open enrollment period to re-enroll.*

Coverage Premiums

- *Coverage premiums are age-rated for all non-Medicare eligible parents. Premiums are subject to change annually.*
- *Age-rated premiums will be charged based on subscriber's age on the date of enrollment. After the initial enrollment, age-related premium increases for subsequent years will be determined based on subscriber's age as of January 1st of that year.*
- *Medicare-eligible enrollees in this plan will be pooled with other Medicare-eligible members in their region to determine premium rates.*
- *Individuals who enroll in Parent Medical Coverage will be responsible for the entire amount of the premium for their coverage, as well as for any applicable copayments and any Third Party Administrative fees. Kaiser Permanente will not subsidize any portion of the premiums for this coverage.*
- *Premium payments for coverage are made directly through the Third Party Administrator of the plan, currently Ceridian.*

Coverage

Parent Medical Coverage is essentially the same in all regions in which Kaiser Foundation Health Plan medical services are available. However, there will be certain regional differences in how the Health Plan is adminis-

tered, including differences in some copayments, exclusions and limitations. Benefits included are:

- *Benefits included in Parent Medical coverage are:*
- *5 doctor's office visits*
- *\$5 prescription drug coverage*
- *Uncapped prescription drug benefit*
- *\$5 hearing and vision exams*
- *No charge for inpatient hospital care*
- *No charge for lab tests and x-rays*
- *No charge for allergy testing and treatment*
- *\$25 emergency department copayment*
- *No charge for approved ambulance services*

There will be no exclusions for pre-existing conditions, and no medical review will be required.

Copayments in the plan will be maintained at the current level to the extent that such copayments are available in each region, as long as the plan maintains its 'large group' status.

Medicare-eligible parents who are enrolled in Medicare Parts A and B, and assign their benefits to Kaiser Permanente will be offered Senior Advantage or a similar Medicare Risk plan where available. In regions where there is no Medicare Risk plan, a Medicare Cost plan will be substituted. Parents who are enrolled in Medicare Part A only will receive the non-Medicare benefits, but may be eligible for reduced premiums.

In areas where Kaiser Permanente does not offer any Medicare plan, eligible parents may still enroll in the non-Medicare plan, and will pay the non-Medicare premiums, regardless of their participation in Medicare.

Coverage will be available in all regions in which Kaiser Foundation Health Plan medical services are offered and in which there are active National Partnership Union employees, including the Northern California and Southern California, Colorado, Ohio, and Mid-Atlantic States Regions. The Northwest Region will continue to offer its existing parent coverage plan, under the rules already established for that plan. National Partnership Union employees in Texas will not be eligible to enroll their parents in this plan, as there is no Kaiser Foundation Health Plan coverage available in that region.

When Parents Lose Coverage

Coverage will end at the end of the month in which:

- *The employee through whom a parent claims benefits terminates prior to retirement, is no longer represented by a National Partnership Union, or is no longer eligible per the eligibility requirements above.*
- *The parent no longer meets the eligibility requirements as stated in the 'Eligible Parents' section above.*
- *The employee and covered parent no longer reside in the same region. For the purposes of this plan, Northern California and Southern California are considered two separate regions.*
- *Premiums for medical coverage are not paid.*

Parents who are disenrolled from Parent Medical Coverage will be offered conversion to an individual plan.

Exhibit 2.B.1.c

May 22, 2003

(Relevant section only)

SPONSORED PARENT/PARENT-IN-LAW GROUP

Applicable to parents and parents-in-law of all classifications.

Effective 1-1-03, parents and parents-in-law of Regular employees will be offered the opportunity to purchase the enhanced Senior Advantage health plan coverage at their own expense provided they are enrolled in Parts A and B of Medicare and meet the eligibility rules of the Senior Advantage health plan. For those regions without a Sr. Advantage product, the Medicare product available in that Region will be offered.

The enrollment rules, eligibility and plan design (benefits and co-pays) will be consistent although not identical, (regional variation may apply) and will be reviewed by the Benefits Task Force. (Regional variation may apply). The Employer shall not be required to bargain over such changes. However, the Employer shall provide the unions with forty-five days' notice of the nature and date of such changes.

Participants enrolled prior to 1-1-03 will be grandfathered under their current eligibility rules.

In the Northwest, the parties will resolve the issue as follows:

1. No new non-Medicare eligible will be admitted
2. Rates for grand-fathered group will be raised by the

same % the market increases annually plus an additional 25% annually toward closing the gap to market, with intent to reach market rates at year four.

3. New enrollees will be charged market rates.

Exhibit 2.B.2.b**LIST OF LMP DEFINED BENEFIT PLANS SPONSORED BY KAISER PERMANENTE****Plan Name**

Kaiser Permanente Employees Pension Plan Supplement to the KPRP

Kaiser Permanente Southern California Employees Pension Plan Supplement to KPRP

Kaiser Permanente Southern California Social Services Pension Plan Supplement to KPRP

Kaiser Permanente Fontana Pension Plan Supplement to KPRP

Kaiser Permanente Northwest Pension Plan Supplement to KPRP

Kaiser Permanente Colorado Pension Plan Supplement to KPRP

Kaiser Permanente Colorado Professional Employees Pension Plan Supplement to KPRP

Kaiser Permanente Ohio Employees Pension Plan Supplement to KPRP

Kaiser Permanente Mid-Atlantic Employees Pension Plan Supplement to KPRP

Kaiser Permanente Physicians and Employees Retirement Plan Supplement to KPRP

Kaiser Permanente Represented Employees Pension Plan Supplement to KPRP

Kaiser Permanente Fontana Pension Plan Supplement to KPRP for SCPMG

Kaiser Permanente Southern California Employees Pension Plan Supplement to KPRP for SCPMG

Kaiser Permanente Southern California Social Services Pension Plan Supplement to KPRP for SCPMG

Kaiser Permanente Nurse Anesthetists Pension Plan Supplement to the KPRP for SCPMG

Kaiser Permanente Represented Employees Pension Plan Supplement to KPRP for SCPMG

Retirement Plan for Mental Health Workers Supplement to Kaiser Permanente Employees Pension Plan for The Permanente Medical Group, Inc

Kaiser Permanente Represented Employees Pension Plan Supplement to Kaiser Permanente Employees Pension Plan for The Permanente Medical Group, Inc

Kaiser Permanente Optometrists Retirement Plan

Exhibit 2.B.2.b**LETTER OF AGREEMENT**

In accordance with the Common Retirement Plan provisions of the 2000 National Agreement, the undersigned constituted a Labor Management Partnership Committee to consider moving to a common minimum pension multiplier. The committee met on January 7, 2002 and, after consideration, agreed to a common minimum pension multiplier of 1.4% for National Agreement signatory unions. The new minimum multiplier is effective January 7, 2002, and will be retroactively applied to participants who terminate on or after October 1, 2000. This agreement applies to all sponsoring employers of Kaiser Permanente pension plans covering members of partnership unions listed in the attachment, Section A. Plans will be amended to reflect the new minimum multiplier.

In addition, the Committee agrees that employees covered by these plans and members of the signatory unions to the National Agreement, who are plan participants but whose benefits have been grandfathered at a lower pension multiplier will also have their multiplier moved to the new minimum multiplier

Finally, the Committee agrees that employees covered by the National Agreement who are reflected in the attachment, Section B and as such are currently in a pension plan that provides a pension multiplier equal to or higher than the new minimum shall maintain the current multiplier

Peter diCicco

Executive Director
Coalition of Kaiser Permanente Unions

Leslie Margolin

Senior VP, Workforce Development
Kaiser Permanente

Bill Rouse

Benefits Task Force Labor Co-Chair UNAC/UHCP,
AFSCME

Ellen Canter

Benefits Task Force Management Co-Chair
VP, Benefits and HR Administration
Kaiser Permanente

Exhibit 2.B.2.b

ATTACHMENT TO LETTER OF AGREEMENT CONCERNING 1.4% MULTIPLIER

Section A	
KAISER PERMANENTE PENSION PLANS	UNION
<p>In Northern California:</p> <p>Kaiser Permanente Employees Pension Plan (KPEPP)</p> <p>Kaiser Permanente Retirement Plan for Mental Health Workers</p>	<p>Office and Professional Employees International Union, Local 29 (Clerical)</p> <p>Hospital and Health Care Workers Union, Local 250 (SEIU)</p> <p>Service Employees International Union, Local 535 (Social Workers)</p> <p>Service Employees International Union, Local 535 (Optical Workers)</p> <p>Service Employees International Union, Local 535 (Social Workers – LCSW’s; CDRP Counselors, Psychologists) for employees hired on or after 10/13/00</p>
<p>In the Northwest:</p> <p>Kaiser Permanente Northwest Pension Plan (KPNPP)</p>	<p>Oregon Federation of Nurses (Registered Nurses)¹</p> <p>Service Employees International Union, Local 49</p> <p>Oregon Federation of Nurses (Hygienists)¹</p> <p>Oregon Federation of Nurses (Technical)¹</p> <p>Oregon Nurses Association¹</p>
<p>In Colorado:</p> <p>Kaiser Permanente Colorado Pension Plan (KPCPP)</p>	<p>Service Employees International Union, Local 105</p>

¹ The 1.4% multiplier will be used to calculate benefits for active employees with accrued benefits (e.g., those employees who are now covered by a Trust but maintain a previous earned benefit under the plan).

Exhibit 2.B.2.b*continued***Section A** *continued*

In Ohio: Kaiser Permanente Ohio Employees Pension Plan (KPOEPP)	Office & Professional Employees International Union, Local 17
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Exhibit 2.B.2.b

continued

Section B *continued*

<p>In Southern California: <i>continued</i></p> <p>Kaiser Permanente Fontana Pension Plan (KPFPP)</p> <p>Kaiser Permanente Nurse Anesthetists Pension Plan (KPNAPP)</p>	<p>United Steelworkers of America, Local 7600</p> <p>Kaiser Permanente Nurse Anesthetists Association</p>
<p>In the Mid-Atlantic:</p> <p>Kaiser Permanente Mid-Atlantic Employees Pension Plan (KPMAEPP)</p>	<p>United Food & Commercial Workers, Local 27 (Health Professionals) – Baltimore</p> <p>Office & Professional Employees International Union, Local 2, Washington</p> <p>Office & Professional Employees International Union, Local 2, Baltimore</p> <p>United Food & Commercial Workers, Local 400 (Health Professionals)</p>

Exhibit 2.B.2.b

May 22, 2003

(Relevant section only)

PENSION

Effective March 1, 2003, for pension plans of employees covered by agreements of partner unions that currently provide for a defined benefit plan with a multiplier of 1.4% FAP, the FAP multiplier will increase to 1.45%. This multiplier will apply to all years of service. In addition, 1800 hours will be considered a year of Credited Service under these plans for pension calculation purposes. This new Credited Service hours definition will be effective beginning with the 2003 calendar year.

In the Northwest, effective March 1, 2003 for OFN/ONA RNs, OFN-Hygienists and Technical employees who have a defined contribution plan only, the improvement described above will apply prospectively only.

In the Northwest, effective March 1, 2003, the employer contribution to the defined contribution plan will be changed as follows: 1% for OFN-Hygienists and Technical employees and 1.5% for OFN/ONA RN's. The employer contribution for Local 49 will be maintained.

In Northern California, effective March 1, 2003, Clinical Lab Scientists, Local 20 may move to KPEP as modified by the agreement with no recognition of past service, and the employer contribution to the 401(k) plan will cease.

It is understood that where pension plans are moving from a defined contribution plan to a defined benefit plan, such is subject to ratification of the bargaining unit.

Exhibit 2.B.2.b**LETTER OF AGREEMENT****EARLY REDUCTION FACTORS**

In accordance with the Common Retirement Plan provisions of the 2000 National Agreement (Section 2, B, 2 (b)), the undersigned constituted a Labor Management Partnership Committee to consider changes in the early reduction factors for the defined benefit pension plans. After consideration, the committee agreed to change early reduction factors used in calculating pension benefits from an actuarial reduction based on age to a standard 5% reduction per year for National Agreement signatory unions.

The new early reduction factors are effective immediately, and will be retroactively applied to participants who take either Early Retirement or Disability Retirement on or after January 1, 2002. This agreement applies to all sponsoring employers of Kaiser Permanente pension plans covering members of partnership unions listed in the attachment, Section A. Plans will be amended to reflect the new early reduction factors.

In addition, the Committee agrees that employees covered by the National Agreement who are reflected in the attachment, Section B, who as such are currently in a pension plan that provides early reduction factors equal to or higher than the new minimum shall maintain their current early reduction factors.

Finally, the Committee agrees that pension benefits will be recalculated, and corrective payments made to National Partnership Union members who have taken Early Retirement or Disability Retirement and have received a distribution from their Kaiser Permanente defined benefit pension plan between the effective date of the change and the present.

The new early reduction factors for each year are as follows:

Age at Retirement	Percent of Normal Pension Benefit
65	100%
64	95%
63	90%
62	85%
61	80%
60	75%
59	70%
58	65%
57	60%
56	55%
55	50%

Bill Rouse
Benefits Task Force Labor Co-Chair
UNAC/UHCP, AFSCME

Ellen Canter
Benefits Task Force Management Co-Chair
VP, Benefits and HR Administration
Kaiser Permanente

Peter diCicco
Executive Director, Coalition of
Kaiser Permanente Unions

Anthony J Gately
VP, National Labor Management Partnership

Exhibit 2.B.2.b*continued***ATTACHMENT TO LETTER OF AGREEMENT CONCERNING EARLY REDUCTION FACTORS**

Section A – National Partnership Union Groups Affected by This Agreement	
KAISER PERMANENTE PENSION PLANS	UNION
<p>In Northern California:</p> <p>Kaiser Permanente Employees Pension Plan KPEPP)</p> <p>Kaiser Permanente Retirement Plan for Mental Health Workers</p> <p>Kaiser Permanente Optometrists Retirement Plan (KPORP)</p>	<p>Office and Professional Employees International Union, Local 29 (Clerical)</p> <p>Hospital and Health Care Workers Union, Local 250 (SEIU)</p> <p>Service Employees International Union, Local 535 (Social Workers)</p> <p>Service Employees International Union, Local 535 (Optical Workers)</p> <p>Service Employees International Union, Local 535 (Social Workers – LCSW’s, CDRP Counselors, Psychologists) for Employees hired on or after 10/13/00</p> <p>Engineers & Scientists of California, Local 20, IFPTE (formerly MEBA) (Optometrists)</p>
<p>In Southern California:</p> <p>Kaiser Permanente Southern California Employees Pension Plan (KPSCEPP)</p>	<p>United Nurses Association of California (Registered Nurses) – L.A. & Bakersfield areas</p> <p>United Nurses Association of California (Registered Nurses) – San Diego, Woodland Hills, & Riverside areas</p> <p>Office and Professional Employees International Union, Local 30</p> <p>Service Employees International Union, Local 399</p> <p>American Federation of Nurses – Sunset</p>

Exhibit 2.B.2.b

continued

Section A

continued

<p>In Southern California: <i>continued</i></p> <p>Kaiser Permanente Southern California Social Services Pension Plan (KPSCSSPP)</p> <p>Kaiser Permanente Fontana Pension Plan (KPFPP)</p> <p>Kaiser Permanente Nurse Anesthetists Pension Plan (KPNAPP)</p>	<p>United Food & Commercial Workers Union (Medical Technologists) – except San Diego Locals 324, 770, 1036, 1167, 1428</p> <p>United Food & Commercial Workers Union Bakersfield – Clerical/Service/Pt Care Locals 135, 324, 770, 1036, 1167, 1428</p> <p>OPEIU, Local 30, California Service Center, San Diego</p> <p>Social Services Union, Local 535 (Psychiatry) San Diego</p> <p>Social Services Union, Local 535 (Psychiatry) Except San Diego</p> <p>United Steelworkers of America, Local 7600</p> <p>Kaiser Permanente Nurse Anesthetists Association</p>
<p>In the Northwest:</p> <p>Kaiser Permanente Northwest Pension Plan (KNPP)</p>	<p>Oregon Federation of Nurses (Registered Nurses)¹</p> <p>Service Employees International Union, Local 49</p> <p>Oregon Federation of Nurses (Hygienists) ¹</p> <p>Oregon Federation of Nurses (Technical) ¹</p> <p>Oregon Nurses Association¹</p>

¹ The early reduction factors will be used to calculate benefits for active employees with accrued benefits (e.g., those employees who are now covered by a Trust but maintain a previous earned benefit under the plan).

Exhibit 2.B.2.b*continued***Section A***continued*

<p>In the Mid-Atlantic States:</p> <p>Kaiser Permanente Mid-Atlantic Employees Pension Plan (KPMAEPP)</p>	<p>United Food & Commercial Workers, Local 27 (Health Professionals) – Baltimore</p> <p>Office & Professional Employees International Union, Local 2, Washington</p> <p>Office & Professional Employees International Union, Local 2, Baltimore</p> <p>United Food & Commercial Workers, Local 400 (Health Professionals)</p>
<p>In Colorado:</p> <p>Kaiser Permanente Colorado Pension Plan (KPCPP)</p>	<p>Service Employees International Union, Local 105</p>
<p>In Ohio:</p> <p>Kaiser Permanente Ohio Employees Pension Plan (KPOEPP)</p>	<p>Office & Professional Employees International Union, Local 17</p>

Section B – National Partnership Union Groups Not Affected by This Agreement

KAISER PERMANENTE PENSION PLANS	UNION
<p>In Northern California:</p> <p>Kaiser Permanente Retirement Plan for Mental Health Workers</p>	<p>Service Employees International Union, Local 535 (Social Workers – LCSW’s, CDRP Counselors, Psychologists) for Employees hired before 10/13/00</p>

Exhibit 2.B.3.d**General Description of Disability Plan Benefit Levels****Section 26 – Income Protection/Extended Income Protection**

- 980 Employees scheduled to work twenty (20) or more hours per week will be provided with an Income Protection or Extended Income Protection Plan. The benefit amount will be equal to either fifty (50%) percent of base wages, sixty (60%) percent if integrated with a statutory plan (i.e., State Disability Insurance, Workers' Compensation, etc.), or seventy (70%) percent if the employee is on an approved rehabilitation program. If the employee is part-time, the benefits will be prorated according to the employee's scheduled hours. The minimum integrated benefit (prorated for part-time employees) provided by the program during the first (1st) year of disability will not be less than one-thousand (\$1,000.00) dollars per month.
- 981 Section 27 – Eligibility for income Protection or Extended Income Protection
- 982 Eligibility for Income Protection or Extended Income Protection is based on length of service.
- 983 Section 28 – Income Protection Benefit
- 984 This benefit is provided to employees with less than two (2) years of service. Employees will receive a benefit commencing at the latter of exhaustion of Sick Leave or according to SDI guidelines (i.e., the first (1st) day of hospitalization, eighth (8th) day of illness/injury), and will continue for up to one (1) year from the date of disability with continued medical certification.
- 985 Section 29 – Extended Income Protection Benefit
- 986 This benefit is provided to employees with two (2) or more years of service. Employees will receive a benefit commencing at the latter of exhaustion of Sick Leave or three (3) months from the date of disability, and will continue for up to five (5) years from the date of disability with continued medical certification. Benefits due to psychological related disabilities and alcohol/drug abuse are limited to a maximum of three (3) years from the date of disability. The

Duration of Benefits Schedule will apply to employees age sixty (60) or over who become disabled while eligible for this program.