

AT THE TABLE: An Update on National Bargaining 2005 from the Coalition of Kaiser Permanente Unions and Kaiser Permanente

More than 330 people, representing Kaiser Permanente unions and management nationwide, gathered April 12-14 in San Francisco for the start of Common Issues Bargaining (CIB) 2005. Participants included members of the Common Issues Committee (CIC), which was a core group of 39 leaders representing the Union Coalition, the Permanente Medical Groups, and Kaiser Foundation Health Plan/Hospitals; and the Bargaining Task Groups (BTGs), which consisted of front-line workers and supervisors, operations and functional leaders, medical group leaders, and both labor and management leadership.

Leslie A. Margolin and Peter diCicco, as co-chairs of the CIC, kicked off the meeting. Margolin, SVP of Kaiser Foundation Health Plan and Hospital Operations, noted, "We made history in Common Issues Bargaining 2000, and I ask you to join with Peter and me to make history once again in 2005."

"You can feel the energy in this room!" said diCicco, executive director of the Coalition of Kaiser Permanente Unions, AFL-CIO, as he looked across the room at hundreds of people. "It is the energy of every single employee who works at Kaiser Permanente. Let's figure out how we harvest that energy, how we turn our shared vision into reality."

KP management and union leaders – as well as external experts – provided context for national bargaining with speeches in morning general sessions. In addition to Margolin and diCicco, the speakers included Kaiser Foundation Health Plan and Hospitals Chairman and CEO George Halvorson; F.J. Crosson, M.D., executive director, The Permanente Federation; Sal Rosselli, president, SEIU – United Health Care Workers West; Thomas Kochan, professor of Work and Employment Relations, MIT Sloan School of Management; and Kathy Lancaster, Kaiser Foundation Health Plan SVP for strategic planning and interim chief financial officer.

Margolin and diCicco took a moment to dedicate this year's bargaining process to Tony Gately, former VP of the national Labor Management Partnership and a 32-year employee at Kaiser Permanente. Gately, who passed away March 23 at age 56, was instrumental in the bargaining effort that resulted in the 2000 National Agreement.

Following the general sessions, participants broke into their task groups and spent two days in Interest-Based Negotiations training to prepare them for their work. They were supported by consultants from Restructuring Associates Inc. and the Federal Mediation & Conciliation Service, who will facilitate task group meetings throughout the National Bargaining process.

Comments during the general sessions focused on four main topic areas: the environment in which Kaiser Permanente operates, bargaining topics, the implementation of the Labor Management Partnership, and KP's past and future.

The Environment

The work to be done in National Bargaining is even more important than participants already realize, CEO George Halvorson said. "We are highly visible on the world stage," he said, and health care professionals – both in America and in Europe – view KP as a model of excellent health care delivery.

And National Bargaining couldn't come at a more auspicious time, Margolin noted. The American health care system is so inefficient that it imperils the very existence of employer-based health care. "We ought not let the opportunity pass to do something about it," she said.

Members of the Union Coalition also are committed to that goal, Rosselli said. "Our commitment to quality care for all includes our commitment to universal health coverage, and our commitment to raise the ceiling for workers throughout the healthcare industry," he said. "We can make KP and the Union Coalition one of the strongest advocates in the nation for working families' health care and living standards."

That's all the more reason to leverage the unique advantage Kaiser Permanente has in the LMP, Dr. Crosson noted. As health care costs spiral upward and employers withdraw from coverage, more and more people will look to KP for the solution. "Kaiser Permanente is reemerging as a model for coverage and delivery," he commented.

Lancaster outlined KP's successes in 2004: Kaiser Permanente achieved a net income of \$1.6 billion on total revenue of \$28 billion, spent \$2.2 billion on capital investments to expand capacity and care, and provided \$825 million in community benefit funding.

But many of our competitors did better in 2004, Lancaster added. These competitors are broadening their product portfolios, using strategic pricing, and increasing provider networks to compete even more vigorously with Kaiser Permanente.

Translation? "Our competitors," Halvorson said, "are getting bigger, tougher, richer, stronger, meaner."

Membership growth is critical to KP staying a half-step ahead of the health care market, he said. "We must stay on the growth path," he added. "We grow very well. We shrink very badly."

That growth path, Lancaster asserted, requires that KP expand its product portfolio to better serve younger customers and large businesses that prefer self-funded health care delivery models. Those changes will help KP balance its membership and thus continue to provide high-quality, cost-efficient care to all customers, be they healthy or ill.

Critical strategic investments in the coming years include an ambitious capital improvement plan and the program-wide implementation of KP HealthConnect, the sophisticated information management and care delivery system being deployed currently.

Investments in people need to have as high a priority as capital and technology investments, Rosselli pointed out. "KP HealthConnect promises rewards of higher productivity and better care, and must be supported financially. So must the KP workforce," he said. "New products need resourcing. So does the KP workforce. The Thrive campaign, which repositions Kaiser Permanente as the health care provider of choice, requires an investment. So do KP's workers."

The success of KP HealthConnect, in particular, requires an investment in employees, diCicco said. "If you are going to capture the full potential of KP HealthConnect, the first place you would begin is to incorporate, and invest in, the people who actually have to apply it."

That investment in people, hand in hand with efficiency improvements, can and should be achieved at home, Margolin said. "And we ought to be achieving those cost structure improvements (without) laying people off or sending jobs overseas," she added. "It's not who we are and it's not who we want to be."

Bargaining Topics and Discussions

Margolin set the tone by encouraging National Bargaining delegates to bargain for and with each other to raise the bar on performance, bring health care coverage to every person in America, make KP the safest and best place to work, raise service levels to members, address issues such as performance and attendance, create more consistency in HR processes, create more jobs, enhance and make performance-based pay programs more effective, and facilitate work-life balance.

To that end, nine task groups have been chartered to address specific topic areas. They are:

- Performance-Based Pay
- Benefits
- Work-Life Balance
- Attendance
- Service Quality
- Performance Improvement
- Scope of Practice
- Workforce Development
- Human Resources Information Systems (HRIS) Process Consistency

How to maximize the potential of the Labor Management Partnership should be a common thread in BTG discussions, diCicco said. "The gem at our doorstep, the Labor Management Partnership, is something no one else has. But how do we get the front-line staff engaged in every possible way they can? Every single employee wants the opportunity to use our technology to its fullest potential, but we struggle with harvesting their input into this process," he added. "Please help us figure out how to harvest this gem at our doorstep."

To that end, every task group has been chartered to address and recommend timelines, barriers, and requirements for success, and then to recommend targets and metrics to gauge successes.

Leveling the employment playing field should be a key task across the board, Rosselli commented, and is a clear area of focus for the Union Coalition. "Our long-term vision is to provide a common employment experience regardless of the

regions where we live and work,” he added. “We’ve made progress, but many still experience two-tier systems, and pay and benefit inequities across regions.”

In addition to equity, Rosselli said, the Coalition’s priorities are security, a voice on the job, and quality care for all. “Our vision speaks to our dedication to quality care, our belief in progress and partnership, and our commitment to opportunity.”

Labor Management Partnership Implementation

A common thread, during both presentations and the question-and-answer sessions, dealt with the uneven implementation of the Labor Management Partnership across regions and service areas, with specific concerns among groups such as middle managers and physicians, and how to improve implementation.

This uneven application is a matter of great concern, Rosselli said. It’s critical that the Union Coalition has one relationship with management, and a full implementation of the LMP is the way to accomplish that.

For management’s part, Halvorson said accountability and implementation of the LMP process are key

A common refrain during question-and-answer sessions addressed the challenge of implementing Partnership processes on the front lines. How can employees participate in the Partnership when the same amount of work – if not more – is waiting for them when they return to their job? Funding appropriate staffing to let union employees participate in the Partnership is a common problem, Rosselli said, and must be addressed.

To delve deeper into the Partnership and its successes, MIT Professor Tom Kochan gave an overview of the research he has led that documents the evolution of the Partnership and its challenges, successes, and opportunities.

By end of 2004, Kochan reported that the Partnership continued to stand out as a beacon for American labor relations. More specifically, the LMP had been successful in:

- Creating joint efforts to help avert financial crises and budget shortfalls
- Significantly reducing grievance rates in most regions
- Creating several Partnership activities
- Growing the support of the Partnership among senior leaders (including leaders in the Union Coalition, the Permanente Medical Groups, Kaiser Foundation Health Plan and Kaiser Foundation Hospitals), and
- Playing a role in union membership increases.

At the same time, there have been areas in which the Partnership was less successful. Most of the cost savings to date have come from one-time budget cuts involving reduction in hours or staffing. There have not been significant improvements in several national priorities (including safety, attendance and market growth). Despite repeated efforts, there is no system for tracking the outcomes and return on investment of Partnership activities.

KP, Past and Future

Virtually everyone at Kaiser Permanente knows that the program started with Dr. Sidney Garfield’s vision of preventive care, and industrialist Henry J. Kaiser’s desire to provide medical care for his thousands of workers laboring on the Grand Coulee Dam project.

“We are all inheritors and beneficiaries of a lot of work that has gone on literally over six decades,” observed Dr. Jay Crosson, executive director of The Permanente Federation.

What many might not know is the critical role labor played in Kaiser Permanente’s successes – and survival. Take the first years after World War II, for example. Production of Kaiser’s Liberty ships had halted and most of the workforce was laid off. The Kaiser Permanente health care program, which had just begun to take root, was on the brink of collapse.

Unions took the initiative and moved to help preserve Kaiser Permanente, Crosson pointed out. Union leaders drew a workforce of customers into the program; specifically, the Longshoreman’s Union brought 100 percent of its membership into Kaiser Permanente. This initiative immediately created significant public interest.

When Kaiser Permanente was attacked in the 1950s by the American Medical Association and others as being "socialized medicine," unions again came to Kaiser's defense, Crosson added.

In the late 1980s and early 1990s, KP experienced severe competitive challenges, resulting in massive financial losses. The organization reduced its prices, outsourced care to non-KP hospitals and downsized the organization. The result led to layoffs, a series of brutal strikes in Northern and Southern California and the Northwest, and an increasingly demoralized workforce.

But rather than letting the crisis lead to the demise of the organization, KP and the Coalition of Kaiser Permanente Unions, AFL-CIO, entered into a landmark Labor Management Partnership in 1997. The Partnership was designed to improve the quality of health care, make KP a better place to work, enhance KP's competitive performance, provide employees with employment and income security, expand KP's membership, and jointly consult and advocate on public policy issues where possible.

The Partnership was also instrumental in kicking off a first-ever national agreement in 2000 - a landmark in U.S. labor relations history because of its comprehensiveness and the number of people and unions involved.

"And (the creation of LMP) has made me very proud, that the organization – all of us and others took that step, and have continued on the course of making this work, because it wasn't an easy step to take. It hasn't been easy work to do, but it has been absolutely worthwhile," Crosson said.

Now, as the next pivotal event for the Partnership unfolds during National Bargaining 2005, members of the task groups and the Common Issues Committee will face a series of challenges and events instrumental in the future of the Partnership and the success of the organization.

"We cannot let this fail," Crosson said. "It has to be successful, not just for ourselves, for our jobs, for the care that we're able to deliver, because we have to preserve KP so that when the nation smartens up, it will look to us again."

"All eyes are on us."

Partnership in Action – Leslie Margolin and Peter diCicco Lead CIB 2005

Leslie A. Margolin, SVP, Health Plan and Hospital Operations, and Peter diCicco, executive director, Coalition of Kaiser Permanente Unions, AFL-CIO, are leading Common Issues Bargaining (CIB) 2005 as they did for the highly successful CIB 2000.

Margolin is a member of both the Kaiser Foundation Health Plan/Hospitals National Leadership Team and the Kaiser Permanente Partnership Group. She leads a team of eight regional presidents and the national leaders of hospital strategy and patient care services.

Having joined KP in March 1998 as SVP and area manager for the Tri-Central Service Area, she played a critical leadership role in opening the flagship Labor Management Partnership Baldwin Park (Calif.) hospital. Margolin has also served as SVP, chief human resources officer and management leader for the LMP.

Before joining KP, she was president of CIGNA HealthCare of California and general manager of CIGNA's Southern California staff model and network delivery health care operations. She also served as CIGNA's chief counsel.

Margolin earned a Juris Doctor degree from Hofstra University in New York, and a Masters of Law degree in Labor Relations from New York University.

As executive director of the Coalition of Kaiser Permanente Unions, diCicco is the union lead for the Labor Management Partnership and for 81,000 KP employees.

Previously, diCicco was president of the Industrial Union Department, AFL-CIO. Prior to that, he was an international vice president and president of the New England District of the International Union of Electrical Workers (IUE), AFL-CIO, where he was primarily responsible for coordinating the activities and support services to the local unions and for organizing, contract negotiations, legislation and political activities and policy implementation. diCicco has been a trustee chair of the IUE Multi-Employer Pension Fund and trustee of the National Industrial Group Pension Plan (NIGPP). He was responsible

for creating IUE/The Work Connection, Inc., a nonprofit corporation sponsored and established by IUE New England District, AFL-CIO, to administer innovative employment programs for special needs populations.

His education background includes program work at Boston University, Northeastern University, and the Lincoln Institute at MIT. He is a graduate of the Trade Union Program at Harvard Business School.