



KAISER PERMANENTE®

The Case for Partnership

Labor relations as operational strategy at Kaiser Permanente

Dennis Dabney



How interest-based collective bargaining works at Kaiser Permanente

- KP's management-union partnership approach gets results—for the organization, the unions and workers, and the members, patients, and communities it serves.
- KP's management-union partnership can be a model for both labor relations and health care delivery as well as other industries.

In June 2015, Kaiser Permanente wrapped up the largest private-sector labor contract of the year—a tentative agreement covering 105,000 health care workers. More than 150 union and management representatives sat next to each other to hash out differences and shared interests through interest-based bargaining.

We believe our experience can serve as a model for other organizations and unions looking for new and better ways to do business—not just at the bargaining table but also in the workplace, where we partner with a coalition of twenty-eight local unions.

Our national agreements (this is our fifth since 2000) go well beyond the scope of traditional collective bargaining agreements. They cover not only wages, benefits, and working conditions, but also workforce and community health, workforce planning and development, performance improvement, and

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union and organizational growth. And we negotiate in a highly compressed time frame—in this case, just four three-day rounds of formal bargaining.

The bargaining process and its outcomes have been transformative. Linda Gonzalez, who helped facilitate our first national agreement and is now director of mediation services for the Federal Mediation and Conciliation Service, Southwest Region, noted how impactful the

interest-based approach can be:

At the table, everyone has an equal right to speak and explain their interest. There's more open dialogue and sharing of information. ... It's taken Kaiser and the unions a lot of hard work to get where they are. [But] to resolve difficult issues in partnership is a strength.¹

We have leveraged that strength in many ways over the years. Our Labor Management Partnership has met the goals set forth in our agreements since

the beginning: 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.”

We also have committed to operating principles that you won’t find in most labor contracts:

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. ... Employees throughout the organization must have the opportunity to make decisions and take actions to improve performance and better address patient needs.²

Power of Partnership

Interest-based bargaining doesn’t guarantee success. It works for us because our partnership works.

The partnership between Kaiser Permanente and the Union Coalition came



about in 1997 in a challenging environment. The company had a long and close history with the labor movement (see sidebar, “About Kaiser Permanente”). But amid growing market pressures and labor unrest in the 1980s and 1990s, we were at a crossroads. Most of the local unions representing KP workers formed the Coalition of Kaiser Permanente Unions to launch a unified corporate campaign.

Facing what would have been a mutually destructive strike, the leaders of both

parties took a chance on an alternative approach. They agreed to:

- Work collaboratively to improve the quality and affordability of care for the patients and communities we serve.
- Help Kaiser Permanente lead the market in health care.
- Involve unions and individual workers in workplace decisions.
- Provide job security and be the best place to work in the industry.

Today it is the largest, longest-running, and most comprehensive such partnership in the country. It covers 80 percent of our represented workforce and includes forty-three local contracts, in addition to the national agreement. It has delivered industry-leading contracts and helped Kaiser Permanente achieve industry-leading quality, solid growth, and a culture of collaboration.

In short, our partnership is more than a labor relations strategy, it’s an operational strategy that provides strength and stability for Kaiser Permanente and our workforce, and better care and service for our members, patients, and customers. It provides an infrastructure for continuous performance improvement and a way to better resolve difficult issues.

About Kaiser Permanente

Kaiser Permanente is the nation’s largest not-for-profit health plan, serving more than 10.1 million members in eight states and the District of Columbia. Kaiser Permanente grew from industrialist Henry J. Kaiser and public health innovator Dr. Sidney Garfield’s efforts during the Great Depression and World War II to provide medical care to Kaiser’s industrial workers and their families.

In 1945, Kaiser Permanente opened to the public and grew rapidly with the support of organized labor. Among the innovations it has brought to U.S. health care are:

- Prepaid health plans, which spread the cost to make them more affordable
- Physician group practice to maximize doctors’ abilities to care for patients
- A focus on preventing illness as much as on caring for the sick
- An organized delivery system, putting as many services as possible under one roof

Kaiser Permanente has 179,000 employees (130,000 represented), 18,000 physicians, and annual revenue of \$56 billion.



For example, during the Ebola crisis of 2014, health care providers and members of the public were concerned about how to best control spread of the disease. Kaiser Permanente, our union partners, and the Centers for Disease Control and Prevention stepped back from the fear and misinformation that prevailed elsewhere. We worked together to develop training processes, educate people, and agree on steps to ensure the safety and compensation of employees involved in caring for patients with the Ebola virus. Two of our hospitals were among the first in the United States to be recognized as part of the nation's Ebola preparedness and response plan.

Frontline Teams Lead Change

Day-to-day partnership is most evident in more than 3,400 unit-based teams, or UBTs—our term for the natural work groups that deliver care and service. Team members are trained in performance-improvement techniques to spot opportunities, conduct small tests of change, assess results, and implement solutions. They provide a new level of learning and decision-making about the quality of their work and how to do it better.

UBTs are co-led by a union member and the manager or supervisor. In clinical settings they include physicians. We

track the quarterly performance of every team, based on jointly set measures of performance, and we set aggressive goals for the number of teams to reach high performance, measured on a five-point scale.

Seventy percent of our teams are rated high-

performing. That's important because our data show that high-performing UBTs get better outcomes on service, quality, safety, attendance, patient satisfaction, and employee satisfaction.

Amy Edmondson, Novartis Professor of Leadership and Management at Harvard Business School, has studied Kaiser Permanente's model of teaming and offered this assessment:

Unit-based teams are a way to be entrepreneurial and a way to build greater accountability by those on the front line. The teams push people to brainstorm, to be attentive to what they see, and to put their own experience to good use. The teams have the opportunity to identify challenges, and they have tools and skills with which to work, but it's up to them to put them to good use to make a difference for patients.³

Our teams now have more than 7,700 frontline improvement and innovation projects under way. To align local team efforts with the organization's broader strategic goals, all projects are focused on one or more points of the Kaiser Permanente Value Compass—a guidepost that shows our four shared goals of best quality, best service, most affordability,



and best place to work, with our patients and members at the center of all we do.

Kaiser Permanente Value Compass

About 35 percent of these projects are focused on reducing waste or improving affordability. And 267 of those projects produced joint savings of \$10 million in eighteen months; potential savings are much more. Twenty-eight percent of projects are focused on service enhancement. Here's a snapshot of improvement projects conducted at each point of the Value Compass:

Best quality: A medical imaging team worked across departmental lines to ensure that patients who visited the medical office for a flu shot, and also were due for a mammogram, could get the mammogram promptly, many times within twenty minutes.

Best service: A cross-functional team of service center workers redesigned work processes to handle incoming calls in the wake of the Affordable Care Act. The team cut the number of customer handoffs by 60 percent and reduced mean processing time for members' issues from twenty-six days to three days.

Most affordable: An inpatient pharmacy team launched a cost-reduction effort that is saving more than \$600,000 a year by better managing inventories, alerting physicians to less costly equivalent drugs, and reducing drug wastage.

Best place to work: As part of our voluntary workforce wellness program,

Our workforce is diverse in every way—demographic, geographic, professional, and technical.

62 percent of eligible employees—more than 80,000 people—participated in a confidential health assessment to identify potential health risks.

Getting Measurable Results

We know our strategy is having an impact on organizational performance and the workplace experience. Our 2014 employee survey showed strong correlations among several measures of employee engagement and job performance.

Departments that scored high on an index of eighteen measures of

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workforce effectiveness (including things such as taking pride in the organization, information sharing, understanding of goals, and being held accountable for performance) reported significantly better results in service, quality, workplace safety, and attendance. For instance, results included:

- 9 percent higher patient satisfaction scores
- 18 percent fewer lost work days
- 41 percent fewer workplace injuries
- 91 percent fewer bloodstream infections in at-risk patients

In addition, members of high-performing unit-based teams are far more likely to say they have influence in decisions affecting work, are comfortable voicing

opinions, and feel coworkers are respected despite differences.

Higher job satisfaction also contributes to significantly lower employee turnover. In California, for instance, our turnover rate for all hospital-based employees ranges from 6 percent to 8 percent, depending on the job type—versus the 2014 industry average of 9.4 percent statewide reported by the California Hospital Association.

Union Coalition members and Kaiser Permanente also collaborate on many issues rarely open to union participation. For instance:

Workforce planning and development: We invest heavily in workforce training and development—and we develop and implement most of that work jointly. For example, a union-management Jobs of

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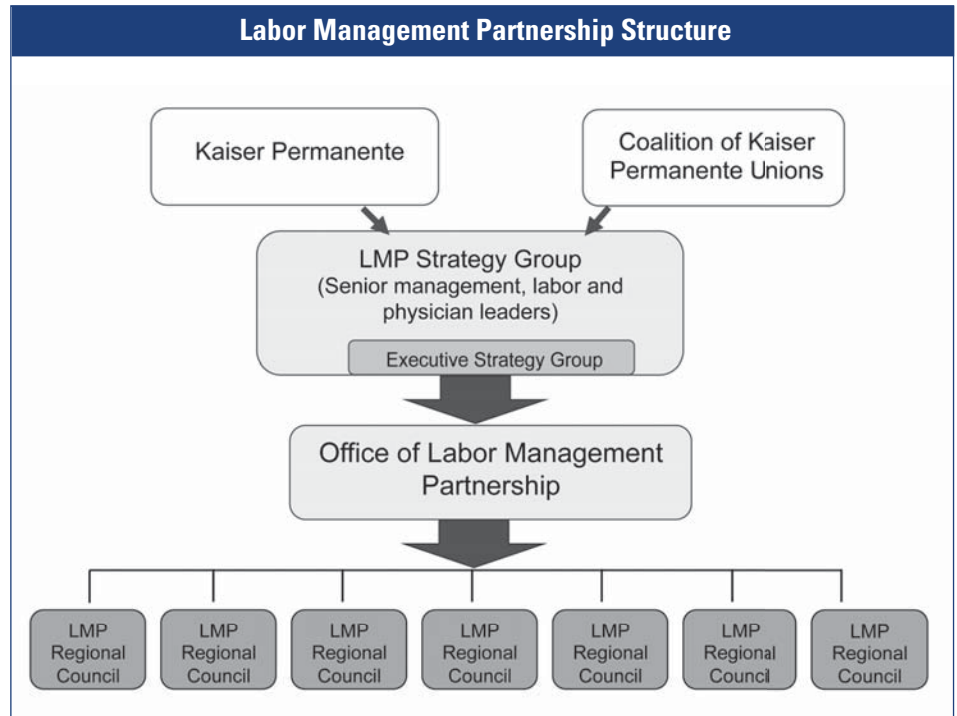
About the Labor Management Partnership

Established in 1997, the Labor Management Partnership is an organizational strategy to improve the quality of care for Kaiser Permanente members, help Kaiser Permanente lead the market in health care, and provide job security and the best place to work for its employees.

The partnership is jointly led and funded by Kaiser Permanente and the Coalition of Kaiser Permanente Unions (comprising twenty-eight local unions and more than 105,000 workers). Partnership programs, including training, performance improvement, workplace safety and wellness activities, as well as a dispute-resolution process, are overseen by national and regional partnership bodies extending to the facility level (see Labor Management Partnership Structure chart). Support systems include:

- Jointly established criteria and targets for team performance
- A robust database for tracking team performance and tests of change
- Peer advisors who help teams improve work processes and solve problems

The partnership has been recognized by the Department of Labor and numerous business, labor, and academic leaders for its contributions to interest-based bargaining and workplace innovation.



the Future Committee in Southern California is identifying emerging technology, assessing the impact on workers, managers and physicians, and developing training plans and career paths. More such efforts and investments are under way.

Market growth: Bringing together union members and Kaiser Permanente sales and marketing teams, our joint growth campaign helped win, expand, win back, or retain thirty-three accounts covering 125,000 Kaiser Permanente members in 2014.

Meeting Organizational Challenges

Our partnership is not perfect. It can stretch us to engage and educate our many stakeholders and to find time to solve problems and improve work processes in the course of day-to-day operations.

But in my experience, the biggest challenge is spreading innovation—facilitating the exchange of ideas and

the adoption of successful practices from one team, medical center, or region to another. We know that new initiatives can take root faster and more consistently if they're modeled on a proven concept—especially when they are championed by our own work teams. Variation can be a plus when you're looking for new and better ways to do things; when you've found the best way, you need to make it a work standard.

We recognize and spread success by communicating with teams regularly in multiple formats; through peer consultants and sponsors in every facility; a system-wide database that tracks teams' tests of change and outcomes; and UBT Fairs, where teams share their findings in person.

Change is not sustainable if it depends on one top leader.



Keys to Success

Our Labor Management Partnership is now in its eighteenth year, and we are still learning how to take it further. We continue to believe it can be a model for labor relations and health care delivery. Four factors in particular are essential to success:

Develop leadership at all levels: Since its founding, our partnership has thrived under three different Kaiser Permanente CEOs and three different Union Coalition executive directors. Change is not sustainable if it depends on one top leader. Frontline and mid-level leadership, on both the management and union sides, is key. We train for partnership at all levels, and have found that interest-based problem solving and bargaining are powerful learning development tools for up-and-coming leaders.

Build trust: To work together, partners must trust one another. That trust must be earned and is established over time. It

will be tested, but the building blocks are well known: Do what you say you will do. Honor your commitments. Treat others with respect and deliver results.

Measure results and share data: We set goals and track performance for all our teams. We share business and financial data with our partnership unions in bargaining and share departmental and unit-level results with teams working on performance improvement projects. Teams can't succeed without good information upon which to set clear expectations.

Create a shared framework: Our workforce is diverse in every way—demographic, geographic, professional, and technical. We also have different (and sometimes competing) needs, interests, and concerns. But we share a desire to make our members' and patients' lives better. The Value Compass—with the member and patient in the center—provides a common touch point that we use to set priorities and guide decision-making.

Our union and organizational leaders know how to do business in traditional, more adversarial labor relations settings. We've done it. We choose to work in partnership—not because it feels better (though it does) or because it's easier (it's not). We do it because it gets results—for the organization, the unions and workers, and the members, patients, and communities we serve.

It's time to look beyond labor relations and find new ways to innovate and engage teams. Our leaders took a risk eighteen years ago to listen, understand, and work together. It proved to be better way to deliver healthcare and achieve our social mission.

NOTES

1. *Hank* magazine, Winter 2015, p. 2, 5, Kaiser Permanente and the Coalition of Kaiser Permanente Unions.
2. *Ibid.*, p. 5.
3. Personal interview, November 2014.

Dennis Dabney

As senior vice president for national labor relations for Kaiser Foundation Hospitals and Health Plan, Dennis Dabney heads national labor relations and leads the development and execution of the national labor relations strategy for Kaiser Permanente, one of America's leading health care providers and not-for profit health plans. He provides counsel to the executive team on issues, oversees collective bargaining with unions, and supports labor relations professionals across the organization.

He serves as the key architect of the Labor Management Partnership (LMP) and works closely with the coalition of Kaiser Permanente unions and LMP leaders. The LMP is the largest, most comprehensive partnership in the United States, encompassing twenty-eight local unions and representing almost 100,000 workers. It brings together frontline workers, physicians, and managers to find ways to improve service, quality of care, and eliminate waste. The LMP has been nationally recognized as a model of innovation and is credited with delivering superior health care results and a high-performance workplace.