

2021 Alliance National Bargaining – Employer’s Counter

Subcommittee: Economics

Revise Section 2. A. 2. Performance Sharing as follows:

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 (See Exhibit 2.A.2.). The parties support the **Alliance** Labor Management Partnership Performance Sharing Program (**APSP**) 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 **Alliance-Kaiser Permanente** Strategy Group will be accountable for the **APSP**. 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 **APSP** goals will be aligned with national, regional, facility and unit goals. The **APSP** goals will be based on the principle of “line of sight” as much as possible. Regional **APSP** goals must include Quality, Service, Workplace Safety and Attendance. It is recommended that the Attendance goal be measured at the individual level.

Performance sharing is over and above base wage rates and will be based on mutually agreed-to performance factors and targets. The **APSP** is self-funded through operating margin. Performance targets will be set by region or national function. Regional **APSP** goals must include quality, affordability, service, workplace safety, and attendance. 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. The 3% payout is a calculation based on total represented payroll by region or national function. A full explanation is contained later in this section.

- » **Year 1:** 3% payout at target to be paid out in First Quarter **2022**, based on **2021** performance.
- » **Year 2:** 3% payout at target to be paid out in First Quarter **2023**, based on **2022** performance.
- » **Year 3:** 3% payout at target to be paid out in First Quarter **2024**, based on **2023** performance.
- » **Year 4:** 3% payout at target to be paid out in First Quarter **2025**, based on **2024** performance.

The **APSP** 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 **APSP**. Further, jointly determined factors must be measurable against mutually agreed upon predetermined targets, with progress reported to employees quarterly throughout each year, where possible.

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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 **Alliance union-represented** employees will participate in the APSP, which provides an annual cash bonus opportunity based upon regional or functional area performance in the areas of quality, affordability, service, workplace safety, and attendance

The jointly designed program will reward Alliance union-represented employees for reaching mutually agreed-upon national, regional and/or local targets.

The following agreements are currently reflected in the APSP:

» All Kaiser Permanente employees covered under this Agreement shall participate in the APSP. 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 APSP in addition to a payment from a current program. Instead, employees shall receive the higher of either the APSP or their current program.~~

» At any time during the term of this Agreement additional subregional (local) plans may be mutually developed. In these instances, the covered employees will not receive a payment from both programs, but will 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 by no later than year-end for the following year and communicated in January. **Effective starting with the 2023 PSP plan (paid in 2024) the affordability target set forth as outlined below.** The APSP 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 APSP 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, affordability, service, workplace safety, and attendance. A financial gate will be established for all Regions. 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.

» In the event that the Region does not meet its financial gate, the maximum APSP payout will be capped at \$1,000 for eligible full-time status employees. **This alternative payout will be paid in proportion to the share of APSP attributed to each goal, based on performance toward each individual goal. (Example a goal assigned 10% of the overall PSP formula would pay out \$100 if target is met.)**

» While the factors measuring quality, affordability, service, workplace safety, and attendance may be different from region to region, the opportunity for reaching the selected targets shall be consistent across all regions.

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- » 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 31 to receive a payment under the APSP 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 1,800 compensated hours or more in the program year shall be considered full-time employees for the purposes of the APSP and have their hours capped at 1,800 hours. Employees with compensated hours less than 1,800 hours shall receive a bonus pro-rated for compensated hours.

Affordability goal

The task force will identify and agree upon recurring savings from Alliance employment costs and operational costs impacted by the work of Alliance members. The parties will use an interest-based consensus decision-making process.

The projects will be reviewed and approved by mutual agreement, and the parties will mutually agree on the method of measuring cost savings. Costing will be verified by a neutral third party where the task force is unable to reach agreement on costing.

In support of the task force’s work, effective with the 2023 PSP (paid in 2024), the affordability goal will constitute 67% of the APSP formula. The target for the affordability goal will be the cost savings as defined below:

- The cost savings target for each year will be recurring savings of 1.5% of the total wage cost of all Alliance union represented employees for the calendar year prior to the bonus plan year (“total wage cost”), incrementally, in each of the following years: 2023, 2024, 2025. (Example in the 2023 PSP program year, to be paid in March of 2024, the 2022 total wage cost will determine the base.) Wage cost will be actual total payroll and will not include fringe and roll up costs.
- Credit will be given for savings in the year generated and will not be annualized. For example, if a single initiative realizes \$10 of savings in year one and \$90 in year two, \$10 will be credited in Year one and \$90 will be realized Year two.

The other 33% of the APSP goal will be divided among quality, workplace safety, service and attendance.

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If the 1.5% annual recurring savings are realized in the calendar year, the affordability target will be met. Credit will be paid on a pro-rated basis, however 0.75% of targeted savings will be a minimum threshold to trigger a pro-rated payout.

0.25 RS for SS

Savings and payouts will be determined regionally, or by service area where that is the current practice.

New recurring savings must be realized in each bonus year to support the payout.

Agreed:

Hal Ruddick 11/12/21
Date
Hal Ruddick
Executive Director
Alliance of Health Care
Unions

Steve L Shields 11/13/2021
Date
Steve Shields
Senior Vice President
National Labor Relations, Kaiser
Permanente

The intention of the parties is that credited savings will recur on an ongoing basis. However, in the event that a savings which is anticipated to recur, does not in fact recur due to unanticipated circumstances, there is no penalty in subsequent years.

RS for SS
[Signature]