KAISER PERMANENTE®

The facts about KP's proposals — Part 1

January 5, 2015

We understand that you will hear different information about the proposals Kaiser Permanente has made around retiree health benefits and pension, and we want you to have the facts. Please see below for some questions and answers about KP's proposals — and **watch for an announcement about upcoming videoconferences with more information.**

Is KP's retiree health proposal a big "takeaway"?

Our proposal is similar to the current retiree health benefit for 78% of our 180,000 employees. We are asking our nurses who retire in 2017 and later, starting 10 years from now, to make a partial contribution to share the cost of their retiree health premium. Our proposal does not affect current retirees or nurses who retire before 2017. Under the proposal, KP pays the entire retiree health monthly premium from 2017 to 2026. After that, KP will continue to contribute a fixed amount toward the premium each month and the retiree will make a contribution for the rest of the premium. We are not proposing to eliminate benefits. We are proposing a reasonable and responsible change to help continue to provide excellent retiree benefits.

How does the retiree health proposal work?

Our proposal continues to provide nurses and their eligible dependents with a KP-provided retiree health plan with benefits that are over and beyond basic Medicare and exceed most individual Senior Advantage plans. The benefits and out-of-pocket expenses, including office visits, ED visits, co-pays for inpatient care, etc., are to be the same as the plan offered to active nurses.

Our proposal does not affect current retirees or nurses who retire before 2017. We are asking nurses who retire in 2017 and later to participate in the cost of retiree health premiums beginning in the year 2027. This means that, under our proposal, KP continues to cover the full cost of the monthly premiums from 2017 to 2026 for nurses retiring on or after Jan. 1, 2017, and eligible dependents. After 2026, KP will continue to contribute a fixed amount each month for the premium, for the life of the retiree and eligible dependents, and the retiree will begin making a cost share contribution for the rest of the premium.

What is KP's proposal around nurses' pensions?

We are not proposing any changes to pensions for current nurses or retirees. We face similar problems with escalating future pension costs as we do with retiree health benefits. Our pension proposal requests that we form a management and labor group (KP-CNA) over the next three years to study the issue of rising pension costs and make recommendations to address the cost for future hires only, not for current employees.

Why is KP proposing these changes when the organization is doing so well financially?

This is not about improving our current financial performance. It is about keeping KP strong in the future for all of us and for those who come after us. We're proud that KP provides richer benefits than most other companies and we are doing our best to keep it that way. From the money we earn today we must cover the cost of health benefits and pensions for current employees and those already retired. At the same time, from the same earnings, we must also set aside money to provide these benefits for those who will retire in the future.

The problem that we and most other large employers are facing is that the cost to provide retiree benefits continues to go up, at a pace that is faster than other expenses and faster than what we are earning. Recently, our benefits costs were growing four times faster than any of our other expenses, which is not sustainable. This is a problem we have been addressing with employee groups since 2012, knowing that if we don't make changes to help slow down and reduce our future costs, it will threaten the future of KP and our ability to continue to provide these benefits. We've seen this happen in other industries, and we are passionate about preventing it from happening to the people of Kaiser Permanente. By making reasonable and responsible changes that involve everyone's participation (78% of KP employees already participate in a modified or capped retiree health plan) we can help protect retiree benefits.

What about the claim that KP is making big profits?

Any money we have left over each year is our margin. As a nonprofit, we are required to invest our earnings and margin back into the organization. Having a healthy margin — which is the money left over after we pay for the costs of providing care — is the result of good planning and is not something to be criticized. It enables us to keep our rates down and deliver high quality affordable care to more people. We use our margin to cover retiree health benefits and pensions of our employees, along with investing in technology and equipment to help transform care, updating equipment and buildings, and building facilities to serve members.