

## The facts about KP's proposals — Part 2

KP's proposals around retiree medical benefits and pension are intended to help preserve the excellent benefits packages that our nurses deserve. At the same time they are intended to make sure that KP remains strong well into the future. We want you to have the facts about our proposals. See below for more questions and answers — and **watch for an announcement about upcoming videoconferences with more information.**

### Why is KP proposing a change in retiree health benefits?

The problem that KP and most other large employers are facing is that the cost to provide retiree health benefits continues to go up, at a pace that is faster than other expenses and faster than what we are earning. If we don't make modifications to help slow down and reduce our future costs, it will threaten the future of KP and our ability to provide these benefits to our employees and those who retire.

### How are other employers dealing with the rising costs of benefits?

Most companies, even most hospitals and health plans, have stopped providing retirement health benefits altogether. Nationally, the number of large employers providing any retiree health coverage has dwindled down to about 25%. Their employees will have basic Medicare coverage when they retire but the employers are choosing not to provide any benefits that supplement Medicare.

### What is KP proposing?

Unlike many other employers, Kaiser Permanente is not planning to eliminate this benefit. We understand how important this benefit is to all of our employees, and we have proposed a solution that will enable nurses to keep an excellent retiree health benefit that few others have outside of KP. Our retiree health proposal does not affect current retirees or nurses who retire before 2017. For those retiring in 2017 or later, under our proposal KP will cover the full cost of the monthly retiree health premiums from 2017 to 2026. After 2026, KP will continue to contribute a fixed amount each month for the premium and the retiree will

begin making a cost share contribution for the rest of the premium.

### What about the claim that KP will make money on KP retirees' premium contributions?

That is incorrect. Although KP is a health care provider, it still costs us money to pay for medical care for our employees and retirees. The care for most retirees is only partially covered by Medicare reimbursement, which is being reduced for health care providers by the federal government. Approximately 77% of today's retiree health costs for nurses is covered by Medicare reimbursement. The rest of the costs must still be paid by KP.

As we said above, these benefit costs are continuing to grow, and at such a fast pace that we need to make changes to be prepared for the future. We are proposing that a portion of these costs eventually be shared by retirees. These contributions, like all of KP's revenues, will be invested back into providing care. As a nonprofit we must invest all of our earnings and margin back into the organization. This 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. Here's a look at how KP spends all of the money it receives:

