Building a Sustainable Future Together

HEALTH CARE COSTS

At Kaiser Permanente, we do our best to be smart about the future. We plan ahead, take action and make choices that keep us competitive and sustainable – this includes the way we shape and modernize our benefits.

Looking across the current health care industry, we see that our active medical plan designs are behind the times in a few different ways – most notably our copays.

OUR PROPOSAL FOR COALITION MEMBERS

To bring ourselves closer to a competitive standard, we are proposing an increase to the copay for office visits and other services paid by Coalition members. We also intend to provide annual pay increases to Coalition members before, during and after the copay increase.

HOW IT WOULD WORK

Under our proposal, the office visit copay would increase to $20* starting in 2021.

We also intend to steadily increase pay for Coalition members over the term of the contract to reduce the potential impact of the proposed larger copays.

Higher copays would mean an average Coalition employee’s out-of-pocket health care costs would increase by a small percentage of his or her income per year.

The intended annual pay increase would start in 2019 and continue through the end of the contract. That means an average Coalition employee would get a pay increase before the proposed copays kick in, another increase the year they would take effect, and additional increases for the term of the contract.

A pay increase every year for the term of the contract would add up to a significant amount, both for employees in the top step of their pay range and for employees making step advancements. Employees making step advancements would see an even larger percentage increase of their pay by the end of the contract term than top step employees (step promotions plus an annual increase each year).

WHY MAKE THIS CHANGE?

This proposed change is about making adjustments that keep us competitive and aligned with the current market.

We still intend to pay virtually the full cost of health care coverage for the majority of Coalition members. However, it’s important to keep in mind that in most companies, a $5 copay is unheard of and, in the long run, it’s unsustainable. Because higher copays are common practice, future employees joining us from other organizations should be accustomed to a higher copay.

CONTINUING TO COVER MOST HEALTH CARE COSTS

Many companies push health care costs to their employees by increasing premium cost share and introducing deductibles. At Kaiser Permanente, we pay virtually the full cost of health care coverage for the great majority of Coalition members.

* Copays for other services may vary.
Building a Sustainable Future Together

FUTURE EMPLOYEE BENEFITS

There are a lot of reasons why people join the Kaiser Permanente team. For some, it’s to achieve a personal goal or advance their career. For others, it’s because we offer great pay and benefits. No matter the reason for joining the team, we are proud to offer employees a total rewards package that outshines the competition.

We are committed to offering current and future employees amazing benefits. We are also committed to creating a sustainable future – for our employees, for our members and patients, and for Kaiser Permanente. To do this, we are proposing some adjustments to the benefits of future employees.

MEASURING THE MARKET

What does this mean?
We regularly check how we are doing compared to the market, our competition. We look at things like pay, medical plan offerings and retirement benefits – which are all part of your total rewards. From this research, we know that what we offer is better than most of our competitors (sometimes by a lot!).

PROPOSED CHANGES

<table>
<thead>
<tr>
<th>For Current Coalition Members</th>
<th>For Future Employees (Starting in 2021 for new hires)</th>
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<tbody>
<tr>
<td><strong>PAY</strong> INCREASING YOUR PAY. Current Coalition employees would receive a raise every year for the term of the contract.</td>
<td><strong>PAY</strong> Adjusting future employee pay ranges to better reflect the market.</td>
</tr>
<tr>
<td><strong>ACTIVE MEDICAL COPAY</strong> The office visit copay for current Coalition members would increase to $20. See Building a Sustainable Future Together: Health Care Costs.</td>
<td><strong>RETIREE MEDICAL</strong> Offering a Health Reimbursement Account (HRA) – comparable to what we currently offer – to pay medical expenses in retirement, based on years of service.</td>
</tr>
<tr>
<td><strong>ACTIVE MEDICAL COPAY</strong> The office visit copay would increase to $20. See Building a Sustainable Future Together: Health Care Costs.</td>
<td><strong>TIME OFF</strong> Adjusting time off to better reflect the market.</td>
</tr>
<tr>
<td><strong>RETIREE MEDICAL</strong></td>
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BENEFITS FOR EMPLOYEES HIRED ON OR AFTER JANUARY 1, 2021*

<table>
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<th>PAY</th>
<th>RETIREMENT PLAN</th>
<th>RETIREE MEDICAL</th>
<th>TIME OFF</th>
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| Kaiser Permanente pays people more than the competition – we are committed to this. The change we’re proposing for future employees only would affect their range of pay. Instead of offering upwards of 30% more than our competitors, we will adjust pay to be a little closer to (but still higher than) the market. This adjustment will make us more sustainable in the long run and help ensure we can keep paying the market-leading rates that our employees are used to. | With the proposed Future Employee DC Only Plan, future employees could:  
  - Choose how their money is invested  
  - Receive an employer contribution up to 9%  
  - Use the accumulated account balance at retirement to best meet their individual needs  
  - Take their account with them if they choose to leave Kaiser Permanente. | Under the proposed changes, future employees will receive an HRA to help cover the cost of medical expenses in retirement, similar to what is currently offered. This is different from the current benefit because future employees would not receive a Premium Subsidy. The amount available through the HRA would depend on the employee’s years of service prior to their date of retirement. | Compared to our competitors, employees at Kaiser Permanente receive a lot of time off. To make our benefits more sustainable, we propose reducing the amount of time off by a few days for future employees only. Under our proposal, the days off per year a future employee would receive would vary by region and years of service. At the maximum accrual rate, an employee would receive at least 35 days, including holidays. |

Under our proposal, future employees would still receive a total rewards package that is designed to beat the competition in most locations. These proposed changes would help Kaiser Permanente protect current employee benefits and take a more sustainable approach as we look to the future.

*If a current Coalition employee is hired into a new position/switches jobs within Kaiser Permanente, he or she will not lose his or her current benefits.