

KAISER PERMANENTE LMP MEMBERSHIP MARKETING INITIATIVE



I W E R

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This report is part of a larger on-going study of the evolution of the Labor Management Partnership between Kaiser Permanente and the Coalition of Kaiser Permanente Unions. All reports on this work are available on this website. Support for this work is provided by the Labor Management Trust Fund. All views expressed here are solely those of the author.

I. Introduction

Expanding membership in Kaiser’s Health Plan was one of the original six (subsequently expanded to seven) purposes stated for the Kaiser Permanente Labor Management Partnership. In October 1997, when Kaiser Permanente, the Permanente Medical Groups, and 36 AFL-CIO local unions signed the historic agreement to enter into a comprehensive labor management Partnership, it was agreed that a goal of the Partnership is to “*Expand Kaiser Permanente’s members in current and new markets, including designation as a provider of choice for all labor organizations in the areas we serve.*”

This case study reviews activities to advance the LMP Membership Marketing Initiative. It is part of a broader research project analyzing the evolution of the Partnership from 2002 through 2004,¹ which is a sequel to an earlier report on the Partnership’s first five years.² The research looks at the context, readiness, capacity, engagement and results that Partnership activities have generated, consistent with the model of labor management change developed for the project. *See Appendix A.* Field research for this case study on the Membership Marketing Initiative included over 22 on-site and telephone interviews with management officials, sales and marketing staff, OLMP staff, union officials and local leaders, and also document and data review.

II. Background and Organizational Context

Although this study focuses on the activities of the joint marketing initiative in the period beginning in 2002, it first briefly looks at the preceding period, and in particular the factors that appear to have contributed to a delay in meaningfully implementing the explicit Partnership marketing purpose agreed upon in 1997.

In 1997, the LMP goal of expanding membership was an attractive, easily agreed upon, “win-win” proposition:

Kaiser Sales & Marketing Executive:

“Marketing was identified as one [of the win-win issues], something if we do well, we’ll all get benefits so let’s put it on the list. No one has to change the way they manage ... Unions don’t have to change the way they work ... It’s a good thing to have. There was a lot of excitement around it.”

¹ Thomas Kochan, Robert McKersie, Adrienne Eaton, Paul Adler, Phyllis Segal, Paul Gerhart, [The Labor Management Partnership at Kaiser Permanente: 2002-2004](#) (work in progress). This research is funded by the Kaiser Permanente Labor Management Partnership Trust Fund.

² Susan Eaton, Thomas Kochan, and Robert McKersie, [The Kaiser Permanente Labor Management Partnership: The First Five Years](#), MIT Institute for Work and Employment Research, 2003.

However, despite this clear alignment of interests, only modest efforts were undertaken in the early years to advance the marketing goal. There was a Joint Marketing Subcommittee formed soon after the Partnership Agreement was signed, co-chaired by CKPU Chair Peter diCicco and Kathy Swenson, Sr. Vice President for Sales and Marketing. Membership was equally divided between labor and regional sales and marketing executives. The labor members included two practicing nurses and four union staffers. Peter diCicco recalls a frustrating attempt to gather Kaiser marketing information and identify potential unionized employers as marketing targets. Elizabeth Engberg, at the time Senior Researcher for Employee Benefits, represented SEIU as a member of the Joint Marketing Subcommittee. Engberg recalls a good working relationship among committee members who had not been involved in forming or implementing the Partnership, did not work together outside the committee, and had never been in an adversarial relationship.

Elizabeth Engberg, CKPU staff who served as SEIU representative on Joint Marketing Subcommittee:

“Our marching orders, from the Union leadership and for marketing staff members from the central office, were to increase market share. Most of the committee’s work was educating each other. For labor, the number one issue was that Kaiser looked at the labor market narrowly as Taft Hartley Trust Funds. For SEIU, that was a small segment compared to the public sector and private sector single employers. We did not have a good understanding of how marketers handled their accounts.”

Proactive efforts included hosting a reception at an IFEBP (International Foundation Education Benefits Compensation) National Conference, and a letter signed by AFL-CIO President John Sweeney. Engberg recalls that marketing executives believed such endorsements would translate to Kaiser sales, but that this did not take into account the importance of account pricing, plan flexibility or individual needs of union purchasing groups. In any event, there is now a consensus that these receptions and endorsement activities were ineffective. The subcommittee developed fact sheets and other marketing material about how the Partnership produces higher quality care. But without full-time project management, and committee members busy with their job responsibilities, follow-through was difficult and progress slow.

In addition, on an *ad hoc* basis, labor was responsive when management asked for help during this period – which typically happened only after a problem emerged with an account. However, since neither the activities nor results were tracked, it is difficult to reconstruct what happened. The consensus is that little

happened, and the “*odds and ends*” of partnership marketing weren’t working well. There was considerable mutual blaming.

Robert Hochberger, Southern California Regional LMP co-chair and CKPU National Coordinator:

“Next to nothing happened before [2002]. ... We talked about marketing, getting people trained. Folks weren’t interested. KP wasn’t interested. I’m still not sure why. I suspect there were interventions when an operations person would ask a union person to make a particular call, but I don’t think marketing did that ... For example, an HR person once called and asked [us] to make a call to a local union leader. It would get done that way. The focus was not there and I don’t think management was interested. Especially marketing management.”

Gary Morgan, Senior VP, Sales & Account Management:

“When I got [to my region] 3 years ago there was a lot of talk about the fact that we should be capitalizing on the LMP relationships. There were a few examples of situations where labor leaders were willing to speak at open enrollment. But not much real work was going on, and some dissatisfaction on the Kaiser Health Plan side and on the labor side that partnering for marketing hadn’t occurred. The Health Plan would say “Labor isn’t being effective; we are not getting what we need. They go out with the wrong message.” Labor would say “We think we can be helpful and the Health Plan isn’t getting us involved, bringing us into the loop.” Both sides had some validity. That concern has changed over the past two years and I believe both labor and the Health Plan are trying to collaborate to grow our membership.”

Although management’s and labor’s interests were aligned from the outset on the Partnership marketing goal, a number of factors appear to have impeded any concerted effort to work jointly in this area.

First, although there was concern on the part of some sales and marketing staff about membership numbers and competitive price positioning, there seems to have been little sense of urgency in the late 90’s. In regions that had a dedicated sales force and strong penetration into the “Labor & Trust Fund” market,³ marketing and sales executives did not see the need for help from Kaiser’s Union partners. In regions with modest penetration in this market, the

³ For the most part, this marked segment encompassed the multi-employer plans collectively bargained and established under the Taft Hartley Labor Relations Act. These Trust Funds are jointly managed by a board of trustees with equal representation from labor and management. Accounts where employees receive health insurance directly from their employer, but there is a significant collectively bargained unit that is at the table for decision-making about benefits, were historically dealt with by Kaiser as “commercial accounts.”

potential to expand labor membership was generally not high on the regions' radar screen -- particularly where there was no marketing staff dedicated to this business area. In Georgia, sales and marketing management didn't have any local labor partners to work with, until UFCW organized the Kaiser workforce a few years ago.

Second, there was skepticism about the strategy. Some KP sales and marketing executives with accountability for this market did not believe that the Union partners could actually help expand KP's membership. And there was some concern that it could be counter-productive.

Two Health Plan Executives' Comments:

- *"We haven't capitalized on as many opportunities as we would like to. Part of why it hasn't worked as well in the past was the sense on the part of Sales and Marketing that labor folks will come to a meeting but how much help can they really give to us if potential member decision is around "what's my cost"? The Labor Management Partnership message is a strong one. But what we often run into is that the Labor Trust Funds will subsidize their self-funded trusts by not recognizing Kaiser's rate advantage, or employees have no financial incentive to choose Kaiser. We've seen very little demonstration that the LMP can influence a bargaining unit to choose Kaiser if it changes the contribution of members. Until there is a financial incentive, if they are happy with their current plan, employees won't consider switching to Kaiser."*
- *"We really have always dealt with the employer's management team ... [there might be some concern] that we might be perceived by the management team, if they were aware that we were using the labor channel [to reach their employees] ... as undercutting them, or get in hot water with that relationship."*

According to one labor leader, the *"reluctance on the part of account executives...became clear, blatant, and persisted until the [national] strategy group [described below] came together."*

Kaiser's union partners were generally more confident that labor could influence health plan choices by other unions and union members, and also the recommendations by the Trust Consultants who usually have great influence over these decisions. The approach envisioned was not simply a "Buy Union" message. Labor leaders saw the need for a more deliberate and strategic approach:

Peter diCicco, CKPU Chair:

“Each account needed an early developed strategy that started with an analysis of the decision making structure of each individual account or Joint Trust. The decision makers on many trusts may not be the Trustee. They could be local union or regional union officers. There is also the management side to identify and develop a strategy for.... We need an approach on how to influence the Trust Consultants who usually have inordinate influence on Trustees. In their case I think one way around price is quality of care and service and to effectively challenge the notion that fiduciary responsibility can not and should not be just about cost. In support of that we have KP’s quality ratings and the role of the LMP to empower care providers with the ability to determine how care is provided. There is also the ability to be more responsive on product design... The whole idea is developing a unit by unit strategy, not a cookie-cutter simplistic approach.”

The difficulties of a “buy union” message were acknowledged, however, by one local union leader: *“It’s all about the money. Labor leaders running businesses must make good business decisions. Doesn’t always mean the organized labor option is necessarily the one we can go with. We argue to buy union. Like for cars, hotels, printing. The rules are different when it comes to health plans since it’s an extraordinary expense...If can save money, duty bound from a fiduciary perspective to do that. We can argue that the product is different, better so a good buy even if it costs more. But I don’t think health insurance buyers are looking at the union label first. Rather, they look at cost rise. Cheaper is cheaper, not better/worse. Colleagues always try to buy union. But this is a hard sell.”*

Market research in mid 2001 reinforced the skepticism. Focus groups in two regions indicated that healthcare is viewed differently from other purchases by union decision makers and members, and that the primary drivers of plan selection for members were choice of doctor and cost. At the same time, the research reported that *“other things being equal, LMP could “tip the balance” when selective health plan options.”* Further, this research did not fully test whether the LMP could influence purchasing behaviors going forward, and its validity has been questioned because *“nobody had ever been asked to think about their health care plan this way.”* Regardless of the merits or conclusiveness of this research, however, the confirmation that, as one Kaiser HHP executive put it, *“Buy Union did not have legs,”* was convincing to some marketing managers. The lack of confidence and sense of urgency on the part of Kaiser sales and marketing executives was critical to making progress on the marketing goal because, as one regional sales executive commented, the driver for engaging unions in marketing *“rests where he is”*:

Kaiser Executive:

“We are most of the time the one that needs to say “help” here’s an opportunity. . . And then get Labor to agree to get something done. ... That’s the catalyst. ... The question is where is it in the priority list of getting this accomplished.”

Third, the decentralized, and varied, structure of marketing activities at Kaiser got in the way of progress on the Partnership initiative. In addition to a National Accounts sales and marketing force, each region has a Senior VP for sales and account management, who reports to the Health Plan’s Regional Presidents and well as to Kaiser’s Product and Market Management. The organizational structure and approach for dealing with the labor market was different in each region. Only four regions had a dedicated Labor and Trust Fund unit. In all regions, employers with a large unionized workforce were typically handled in an undifferentiated way by commercial sales and marketing executives. There was no national coordination or systems for sharing information.

Kaiser Sales & Marketing Executive:

“We did not have a very coordinated, efficient and effective program wide approach to labor marketing activities. In California, there was huge penetration...a large staff there. But in many other Kaiser regions it was catch as catch can – two people on their own in Ohio. Nobody in Georgia...There was no community of labor marketing ... no database of information sharing so that someone in one region knew what was being done elsewhere or even about work in their own region.”

Fourth, the skills, culture and attitude of the Kaiser sales and marketing force was seen as an obstacle to involving labor in marketing:

Comments about Kaiser’s Sales and Marketing Staff:**Union:**

- *“Within regions there is resistance to any cooperative activity. I’ve observed turf issues. Kaiser account executives have developed their clients and don’t want anyone coming in and messing around with*

them.”

- *“I don’t know that marketing folks want us engaged. There is a level of arrogance. I believe in general in marketing (not just at Kaiser), in order to be good at marketing you need to have a self-confidence that borders on arrogance, believes it doesn’t need our help, and that by including us and having that kind of assistance we’re more of a burden, and may slow the process down.”*
- *“Kaiser didn’t [in the past] hire aggressive sales people—it hired relationship maintenance people. Now it needs a more analytical, strategic sales force.”*

Management:

- *“We ...didn’t have many strategic people in sales and marketing.”*
- *“Some [of the sales executives] want to see this succeed, but others stand back with a “show me” attitude. Not sure how this can help them. Many have never dealt with unions before.”*
- *“Their incentive is to grow membership. So sales and account people are focused on results. It’s about membership numbers, not process.”*

Both Kaiser and the union partners were dissatisfied with the progress in advancing the Partnership’s marketing goal. After the 2000 National Contract negotiations, two factors prompted greater attention to the membership marketing goal, by both labor and management:

- Kaiser’s sales and marketing force began to see signs of membership loss. In one region with traditionally high penetration in labor Trust Funds two accounts were lost in 2003, and the losses were projected to continue. Membership decline created a sense of urgency that had not existed before.

Kaiser Sales & Marketing Executive:

“I’ve been in job since 1997 and until [2003] I can only think of one group that declined to renew because of rates. This year we lost two. And there’s a real potential to lose more.”

- There were increasing signs of management resistance to Partnership. As one Medical Center Administrator described, “*In some [manager’s] eyes it’s a one way partnership – we gave, gave, gave and its one way.*” To counter this, LMP leadership was eager to demonstrate the value added to KP by the Partnership. Membership Marketing was targeted as one of the areas that needed to be ramped up. This, combined with concerns about membership growth, created the sense of urgency about progress on a joint marketing initiative that had been missing before.

III. Readiness, Capacity and Engagement

▪ Readiness

The Coalition of Kaiser Permanente Union Partners (CKPU) concluded that getting traction on marketing required the dedicated attention of a staff member with specialized expertise. After a prolonged search, Tim Gray was hired in mid-2002 as CKPU's "Marketing Director." Gray's responsibilities were for *"collaborative strategies and tactics involving KP and its labor partners to enhance relationships and increase sales of KP benefits to a wide variety of union organizations and employers."* This brought focused leadership to joint marketing, which had not existed up until that time.

This focus was the catalyst for a proposal in late 2002 to create a national strategic workgroup, sponsored by Kaiser's Marketing Sales Business Development Group. Dr. Arthur Southam, Senior VP, Product and Market Management, assigned Herman Weil, Senior VP Health Plan, to lead this effort for Kaiser. Tim Gray was the sole labor member on the workgroup. The other members were sales and marketing executives from California, Ohio and Mid-Atlantic States regions. The Project Manager, Susan Hassan, was on the national marketing staff. Over the course of several months, this workgroup reviewed data that convinced it that organized labor is (1) an important component of Kaiser's business in many regions, and (2) a potential source of growth in other regions. The workgroup's report reaffirmed a joint commitment to expand Kaiser's membership in the labor market:

Excerpt from Strategic Workgroup Project Overview, 2003:

"The Coalition of KP Unions (CKPU) is committed to helping us market to trust funds and unionized employers. KP would like to leverage this relationship to enhance our position with labor and trust fund accounts and increase union member loyalty to KP."

There were several outcomes of the group's work, some of which are described in the pages that follow. In general, by delving into the labor business line, and recommending a series of specific action steps for effective marketing, the workgroup significantly advanced readiness to make progress on the membership marketing initiative. Key outcomes included: compiling data (and identifying data gaps) about this line of business for the first time; retaining a prominent Labor Trust Fund consulting firm (funded by the LMP Trust Fund) to train the Kaiser marketing staff and provide counsel on strategy; a series of recommendations aimed at enhancing Kaiser's capabilities; and the decision to

create a new national position to lead a coordinated strategy for increasing membership in the labor market. In fall 2004, Chris Blass was hired as VP & National Director Labor and Trust Fund, reporting to the Senior VP, Sales & Account Management. Blass brought to Kaiser considerable experience with the labor market segment, from his previous work as Executive Director of Blue Cross Blue Shield's national labor office.

Disconnect in Stakeholder Understanding about joint marketing efforts

Labor and management share a common vision of success for the membership marketing initiative: more Kaiser Health Plan members. However, there has been a disconnect in how labor and management view joint efforts to achieve this success – in particular, whether labor should be involved in *shaping* marketing strategy on individual accounts and overall. Union leadership sees resistance on the part of the sales and marketing staff to engaging labor in developing marketing strategy on target accounts:

Union Leader Comments:

- *“We’ve told management that we’re not interested in the piecemeal assistance they are looking from us for. ... What marketing folks have done, even where there is a joint committee, is work an account, try to either get in for the first time or increase penetration, and do most of the planning, if not all, and most of the initial contacts without letting us know. And then they come in at the last second to tell us they are having problems. And tell us who should call whom and what we should say, and by when... One of the values I hope we bring to the table is that we know how to communicate best with other union folks what they want to hear. How to say it. The process is off putting on all fronts. These marketing folks, for the most part, don’t understand labor units, our structure, influence, the AFL-CIO. Even the person they say should do the contacting may not be the right person. The message [they want us to convey] might not be best to yield results. We’ve done this ...and found it not productive.*
- *In [one region] we did a school district intervention, followed their script, and contacted folks they said we should. At the end of the day it produced nothing. We said we need to take a strategic approach to this, be partners in marketing, and not be told who/what/when after you find a problem. We want to sit down... and think strategically both short term and long term. Look at all the aspects of marketing. How do we increase penetration, gain access, leverage our relationships, how do we maintain a good relationship with the labor unions. This means we sit down together, choose targets jointly, think about the big picture, and get involved in rate setting... Also how do we connect, from a regional perspective, as a PR*

machine, manage the relationship between KP and the labor movement. Kaiser will attend events, take out ads, without our knowledge. We need to think about this from a broad umbrella, strategically, broad based. Let us in on the rate-setting process so we have a better understanding of that. Kaiser will struggle with this.”

- *“We should have proactive strategies where we work in partnership with account executives to look at existing and prospective accounts and develop strategies to retain members and for growth. You need to overcome resistance from trust fund managers, third party administrators and consultants. But that means sitting down with account execs for strategies. With a few noted exceptions, generally account executives will call a week after an account was lost. It is rare to give labor a heads up early on in the renewal process, or to get help to develop greater penetration. My conclusion is this was too hard a struggle to expend resources trying to help people who didn’t want to help.”*

Comments by marketing executives confirm that this perception is well grounded:

Kaiser Sales & Marketing Executive Comments:

- *“My sense is that although everybody is politically correct [about involving our union people on account strategy], there is reluctance to have unions at the table when we are setting budgets and rates.”*
- *“At a minimum I would want them to be actively engaged in supporting the process, as I believe folks in [my region] have been to the extent we have asked them to. If they were in a position to provide value by making joint calls, open doors. That’s what I would look for, if it ultimately leads to selling new groups or increasing membership in existing groups. I see the joint committee as an internal help group. There to help me.”*

Disconnect in Stakeholders’ understanding of the market to be worked on together.

A second disconnect, which the National Strategy Workgroup made progress in resolving, was around how to define the labor market. For the most part, Kaiser historically viewed this market narrowly as the multi-employer trust funds created under the Taft Hartley Act. Labor saw the potential market to be leveraged more broadly as including employers with a heavily unionized workforce – both because the unions could have a voice through collective

bargaining in the selection of health insurers, and because it would be possible to reach potential new members making a choice of health plan options that included Kaiser, through union communication vehicles. For Kaiser's sales and marketing organization, this broader requires identifying as "labor" a universe of accounts that historically had been considered as part of the "commercial" business line.

Kaiser Sales & Marketing Executive:

"It's very easy to identify a Taft Hartley Trust Fund, distinct and definable. With respect to employers who are purchasing coverage who have organized workforces, there's a continuum in terms of engagement of organized labor in benefit decisions. This is a bit difficult...not as easy to draw a crisp line."

The National Strategy Workgroup embraced the broader view, defining "Labor" as including both trust funds and heavily unionized employer groups. The latter refers to *"Accounts where employees receive health insurance directly from their employer but there is a significant collectively bargained unit that is at the table with regards to decision-making about benefit. Examples would be most government groups (fed, states, counties and municipalities), school districts and other groups such as United Airlines, General Motors or utility companies."*

▪ **Engagement: Joint Structures**

The National Strategy Workgroup served as a forum for labor – through the participation by Tim Gray – to engage in the development of a marketing strategy to expand Kaiser's labor membership. The six-member committee was launched in early 2003. In addition to Herman Weil and Tim Gray, the group included regional sales executives with Labor & Trust Fund accountability, from California, Ohio and the Mid-Atlantic States. In contrast to the typical make-up of LMP structures, this group was not co-chaired, and Tim was the only member of the group from the Kaiser Union Partners. He played a unique role in its deliberations.

Comments on Tim Gray's role in the National Workgroup:

Herman Weil, Senior VP Health Plan:

"Tim brought a perspective about what a union decision maker is thinking about and what union members look for that others in the workgroup wouldn't"

have. This was a good thing. I would say that not all of those perspectives are things that we had at that time or have the organizational capacity to execute against. For example, very early on in the process Tim said, "listen if we want to get the large trust funds we've got to have a self insured product because the way they think about the world is self-insured and Kaiser doesn't have it." I don't disagree. Tim is right. Where there wasn't common agreement is how to create that product...

We all agreed on the capabilities that were needed. Tim was helpful in pointedly describing those capabilities. The divergence was on how to get there. He was frustrated that we were moving on a slower path internally and would have preferred we work on a faster path that purchased those capabilities. Our internal people were frustrated because Tim didn't understand we could buy capabilities from outside but if we couldn't price and code the services we were providing in our medical offices and hospitals we still couldn't provide a self-insured product even with an outside administrator. There were disagreements about "how" -- not always common understanding about issues of execution ...

Tim's expertise was acknowledged and respected. If there were different points of view about "how" they were probably driven by each individual's understanding about the capabilities we have in the organization."

By mid 2003, the workgroup had produced a series of recommendations for a strategic approach to expanding Kaiser's business among trust funds and unionized employers. Many of the recommendation are directed to developing the capacity of the Sales and Marketing force and union partners, to effectively sell to the labor market. As mentioned earlier, this market was defined broadly to include "*any Kaiser business that has a significant union employee presence and where the collective bargaining process plays a role in decisions about health benefits.*" These explicitly include both trust funds and heavily unionized employer groups.

The National Strategy Workgroup's recommendations included initiatives aimed at "Partnering with LMP" (an interesting caption, since the LMP is, of course, made up of Kaiser management *and* labor). These recommendations indicate uncertainty about the effective structure and process for engaging Kaiser's unions in marketing:

- *Develop a process for engaging help with sales efforts or problems with current labor accounts – observe the marketing committees that exist in some regions, (b) figure out process to reach out to partner with union leaders when we need help on specific issues, (c) clarify roles and expectations among local labor leaders, other coalition members and KP sales & Marketing staff.*

- *Assess current and optimal participation of Marketing in regional LMP committee structure.*

This uncertainty seems to have resulted from experiences with joint committees – the initial national joint committee mentioned above, and others in the regions. At the same time that the National Strategy Workgroup was underway, various regions were trying out different ways to move forward on joint membership marketing. In Southern California, for example, in late 2002, the Southern California Regional LMP Council established a Regional Marketing Committee to provide “*leadership and coordination of regional LMP marketing activities*”. The Committee was co-chaired by, for management, Tony Armada (Senior VP & Area Manager, Metro Los Angeles), and for labor, Walter Allen (Executive Director, Local 30, OPEIU). The committee’s 10 additional members included institutional labor leaders Kathy Sackman (UNAC President) and David Bullock (SEIU 399 Executive Director), and sales and marketing directors at the regional and service area level. It was facilitated by the Southern California Office of Labor Management Partnership.

Southern California Regional Marketing Committee’s Charter :

Statement of Purpose:

- *To identify, coordinate, and capitalize on marketing opportunities in the Southern California Region*
- *To utilize labor partners’ strategic relationships and influence to support new business sales and improve KP penetration in existing accounts*
- *To provide direction and support to Service Area LMP marketing committees*
- *To decide jurisdiction of specific marketing projects: service area or regional*

Outcomes/Deliverables:

- *A minimum of 4 new key regional contacts to support the goal of increased membership in the Kaiser Permanente Health Plan (KPHP);*
- *Effective coordination across the region and support of service area LMP marketing activities.*

By the end of 2003, the focus of the committee’s activities had changed from creating and supporting service area marketing activities to stimulating higher level labor interventions at the regional level. As one committee member explained, Kaiser’s union members can encourage individuals to choose Kaiser, though the return is not huge and hard to measure. But “*real change will come from dealing at the labor leader level. If my local didn’t offer Kaiser’s Health*

Plan and a member of another union tried to talk me into moving, it wouldn't work. But if the head of that union had a frank conversation, it may make a difference."

At the start of 2004 the Committee set its goal as 6 interventions aimed at retaining accounts and "increasing sign-up." By the end of 2004, however, the committee was disbanded. And there was no report-out to the LMP on whether this goal was met.

Robert Hochberger, Southern California Regional LMP co-chair and CKPU National Coordinator:

"We disbanded the regional marketing committee because it wasn't effective. Topics brought before the committee weren't timely, and it had nothing to do. Membership fell off. Greg Adams [my co-chair] and I wanted to narrow the focus on what LMP can be effective at, and get rid of ineffective committees. We helped the committee decide that it was in all of our best interests to disband the committee."

Although concluding that the joint committee approach was not effective in Southern California, Hochberger, who also has responsibilities as CKPU National Coordinator for Georgia, believes it would be helpful to convene such a group in Georgia "*because [in Georgia] I think we have the right mentality to start to build an infrastructure*"

Two other regions -- NW and Ohio -- have experimented with a Labor Advisory Council, rather than joint committees. These Councils bring labor representatives to meet with sales and marketing executives as advisors. The NW Advisory Council met twice, but not at all in at least a year. There is some consideration being given to reconvening the group. The Ohio Advisory Council, convened in late 2002/03, included "*friends in the labor community with whom we had established a relationship over the years*", as well as "*leadership from locals representing Kaiser employees.*"

NW: Gary Morgan, Senior VP, Sales & Account Management:

"... we invited leaders from the LMP to meet with sales and marketing and talked about the opportunities we think we have. How can we get some collaborative help? The first meeting was a nice way to get to know each other but didn't get a lot accomplished. At the second meeting, we brought 10-12

accounts to the group where we thought labor could help and went through each, how can labor help us? ...We've met twice, though not in more than a year. The products have changed, and the sales team will need to help labor members understand where we are in the marketplace. We will be reconvening the Advisory group in the next couple of months.”

Ohio Regional Sales/Marketing Executive:

“Our Labor partners were interested. They would do anything that we asked them to do and they have done....But my impression is that they aren't in a position of stature where they can make a call and do the trick...”

▪ **Capacity**

In order to jointly expand labor membership, it has been necessary for both Kaiser and the union partners to fill gaps in their capacity.

KP's sales and marketing infrastructure

The National Strategy Workgroup concluded that Kaiser needs to develop the infrastructure, tools and processes to equip the sales and marketing staff to function effectively, including filling the significant gaps in availability and accuracy of data on the labor market segment. Specific changes recommended concerning the sales and marketing staff include adjusting job descriptions and performance expectations for Sales Executives and Account Managers, and assessing the current Labor and Trust Fund Staff. In addition, creating a process for sharing information within Kaiser's sales organization, and developing principles for appropriate incentives and compensation where Labor Marketing staff gets involved to influence a sale to a non-trust fund account. There are also recommendations concerning relationships with third party health benefit consultants who play such an important role in the labor market segment.

As indicated earlier, one of the results of the workgroup's efforts was the creation of a new national position to drive labor-market expansion for KP.

Increasing Skills and Understanding the Market – Labor and Management

- Management:

Some members of Kaiser's sales and marketing force have had considerable engagement with unions. For example, the Acting Director, Labor & Trust Fund Business Line, for the California's Northern and Southern regions, Randy

Hamilton, had been a Labor Relations specialist at Kaiser (and prior to that at GM) before joining the marketing department in 1997. But Kaiser's union partners point to the lack of this experience by the marketing department: *"There is extremely limited exposure to Kaiser's unions by the marketing department, and the folks who led the department."*

The national workgroup saw the need to develop the competency of the sales organization. Implementation of the workgroup's recommendation has included a training program designed and delivered by consultants, funded by the LMP Trust Fund.

- Labor:

Training is also needed in order for labor to effectively engage in marketing, though the portion of the union workforce that needs training, and the scope of training, is uncertain.

Kaiser Health Plan Executive:

"Every once in a while there is a suggestion that we should train large number of union members. This would be no more effective than taking sales people and have them do nursing care. They have expertise and skills in different areas. You can't be effective with busy people running a business without understanding how rates are set, etc. This is a highly specialized thing, just as nursing. It's a naïve notion that all you have to do is turn members of the local loose. It's not that simple. There is probably some resistance against things which professional and account management staff believes will irritate or be ineffective. They are, however, receptive to day to day work in terms of local/national labor leaders making calls or endorsements or passing onto colleagues that Kaiser is different because of its labor unions."

There has been targeted training of union rank and file in two regions, to prepare them to participate in membership recruitment. The MAS region trained about 130 employees to go to open enrollment fairs in the community. *"They were trained in benefit, purchasing, and go out and are assigned to participate at the table: 'I'm a nurse/pharmacist, and let me tell you why it's a great organization'"* This training was not limited to union members. In Georgia, approximately 10 rank and file union members were trained, *"so they have a better understanding of rates, products offered, marketing, in Georgia. We'll have foot soldiers to employ to go out to union meetings ... 'I'm a health care provider, not only a union member.'"*

Union capacity:

The capacity of Union partners to be involved in rate setting and shaping offerings, is uncertain.

Kaiser Health Plan Executive:

“To run our business we as management are working sixty hours a week. Unions would have to have leaders at the table who could be part of those [strategy] discussions – 40-50 hours a week. They don’t have players who can operate at that level.”

During the period when Tim Gray was CKPU’s Marketing Director the partner unions had an effective voice engaged in developing sales and marketing strategy, and a point person for labor activities. After Tim left CKPU in the fall 2003, the national initiative continued, but it took about a year for Kaiser to hire Chris Blass. It is uncertain whether labor’s strategic engagement, or momentum for this initiative, can be sustained without a high level national labor person with relevant experience and skills that are respected by Kaiser’s sales and marketing force.

Herman Weil, Senior VP Health Plan:

“Tim was pulled off somewhere around 10 months ago to work on the election.... One of the things I think would be helpful going forward would be to have at least one person from the labor side really engaged on a full time basis in this work. . . To reach out and engage others in labor community for help. We need someone there all the time. It’s clear that Kaiser folks need to understand better how Labor works. Also that the Labor partners need to have better insight into the nitty gritty operations of health plan so they can more readily see what you can do and what you can’t do – or issues you have to solve and address in order to do certain things.”

CKPU recently acted to address this need, hiring Elizabeth Engberg in April 2005 to focus on membership marketing in the California and NW regions: *“Elizabeth will work with Partnership unions to coordinate marketing efforts that strengthen Kaiser’s position as the health plan of choice among unions and will serve as a liaison between Kaiser marketing staff and Partnership unions.”* Engberg had been involved in the Partnership’s membership marketing initiative in the late 90’s, when she represented SEIU as a member of the Joint Marketing Subcommittee of the Partnership.

Product and Pricing

Both labor and management agree on the need to better position Kaiser's Health Plan offerings in the market, with different products and improved pricing. Considerable attention has been given to the product and funding configuration that would enable Kaiser to effectively compete with self-funded plans. This involves operational changes since participating in a self-funded environment requires the development of a claims-based billing capability.

The need to address Kaiser's cost structure has led to joint initiatives in different regions. Companion case studies in this research project describe some of these efforts around cost structure improvement.⁴ But while labor is involved in the CSI work, it has not been involved in the rate setting process:

Robert Hochberger, Southern California Regional LMP co-chair and CKPU National Coordinator:

"While we are involved in [the CSI] work, we are not involved in the rate-setting process which causes a bit of angst with our Union leaders who believe that in order to be truly credible when dealing with other Union leaders and members around marketing, we need to be at the table to have an understanding and appreciation of how the rate was set in the first place."

Despite the joint recognition that changes are needed, specific pricing and product changes that result in increased costs to employees present a challenge to the Union partners:

Union Leader:

"When Tim was there he had an upward swim among our union folks in product development. He advocated changes ahead of our folks in saying we needed increased deductibles. Otherwise it limits where we can go. The marketplace is demanding it."

Health Plan Executive:

"It's important that labor leaders be able to separate their (all of our) desires for the way we'd like the world to be from the cold cruel facts about what the

⁴ See, e.g., Paul Adler's Case Study on Southern California region.

customers are buying. Some challenges we've had, it's been constructive...dialogue. What many employers would like to buy has leaner benefits than all of us would like to see. In talking about broadening our product portfolio to have benefits competitive rather than richer we confronted strong and public statements like "well I wouldn't want my workers to have that so I'll object to the KP offering...."

▪ **Engagement: Labor Partners Participating in Marketing**

In the past few years, labor has participated in a number of different ways in marketing activities. The examples described here are not intended to be comprehensive. Rather, they illustrate the breadth of the joint activities that have been undertaken.⁵

1. Direct Participation in Recruiting New Members

Rank and file union members are promoting Kaiser to individuals who have the option to enroll in the Kaiser Health Plan.

Kaiser Health Plan Sales and Marketing Executive:

"We have a sales leader from Colorado who makes the point if every employee of Kaiser influenced one person to join a year we'd double our growth rates."

Kaiser union members have participated in recruiting new members during open enrollment periods in a number of ways. In Ohio, MAS, Georgia and SCA regions, union members have attended open enrollment events. For example, in Southern California, union members went with marketing staff to a benefit fair in one school district *"and promoted Kaiser's Health Plan and the labor linkage."*

A joint effort in the NW region in 2004 produced marketing material that was sent to all UFCW members during an open enrollment drive, urging them to choose Kaiser as their health plan. UFCW recently reduced the number of health plan options it offers its members to two – a Trust Plan and Kaiser. In February 2004, UFCW Local 555's President and Secretary-Treasure sent a letter to UFCW members pointing out the benefits of the Kaiser plan, and encouraging them to choose it.

Joint Marketing in Portland, Oregon, to UFCW members:

⁵ The results of these joint marketing activities are described in the next section of this report.

The letter from UFCW officials gave members *“Important information about your health plan”* pointing out *“a few of the differences between the Trust Plan and the Kaiser Permanente Plan... You can avoid the Trust Plan’s higher costs by choosing Kaiser Permanente during our upcoming open enrollment.”*

A glossy enclosure with pictures presented testimonials from three UFCW members:

- UFCW’s collective bargaining director: *“The bottom line is Kaiser Permanente will save you money – without compromising on quality. The more I learn about Kaiser Permanente, the more I like what I see. And they’re a great union partner.”*
- A UFCW representative: *“My family and I have gotten great care at KP. They reattached my little girl’s thumb when it was accidentally severed. Now it’s as good as new, and it cost us a lot less than it would have under the Trust Plan.”*
- A UFCW office receptionist *“I’ve got six kids, and you can bet we use a lot of health care. Kaiser Permanente makes it so easy and convenient, and with just co payments, I always know what I’ll owe. It’s much more affordable for us.”*

This communications plan was jointly developed by UFCW and the KP Marketing Team. The Marketing Account Manager Will Sawyer describes being approached by other groups interested in working on a joint communication project: *“we have had discussions with local Teamsters, Plumbers & Pipefitters, and they will probably be doing something with their open enrollment...”* In addition, SEIU sent a letter to its members in the fall, promoting Kaiser for the next open enrollment period.

In Georgia, labor helped Kaiser increase the number of Lockheed Martin plant employees choosing the Kaiser Health Plan during open enrollment. Lockheed is one of the largest employers in the Atlanta market. Kaiser had been offered as a choice to Lockheed Martin employees in the past, but had been terminated in the late 90s. The account was resold, and in the first open enrollment period the number of employees choosing Kaiser was disappointing. The National Account manager for Lockheed Martin initiated discussions with the CKPU and local sales and marketing executives about building the relationship with Lockheed’s employees through their union. Robert Hochberger, for the CKPU, set up a meeting with the local President of the International Association of Machinists. At this meeting, Hochberger, local UFCW leadership, and the National and local Account Managers, made a pitch for access to IAM members:

Sales & Marketing Executive:

“Our labor partners did a terrific job [at this meeting] of talking through what was great at Kaiser and why they [IAM] should do business with us. The IAM local president offered a couple of things – a mailing to their members about Kaiser, and access to meetings at the union hall. This was a huge opportunity for us. We learned that a number of Lockheed employees and retirees hadn’t realized Kaiser was being offered again...By building with the union we increased that awareness. The mailing to promote Kaiser talked about the benefits, the fact that it was “buying union” to choose the Kaiser health plan option.”

Robert Hochberger, CKPU National Coordinator:

“It became clear in that meeting why we need to talk about maintaining good relationships.... When Kaiser came back in [to Lockheed Martin], the [IAM] members remembered the service problems [from before]. There was no rate incentive for them to choose Kaiser. During the meeting we learned this history, and talked about how to avoid problems in future. We did a special letter to members which I signed along with the UFCW local president and the state federation of labor president, telling them all the reasons why KP should be considered the union provider of choice ... Part of what gives us credibility....some unions want to choose Kaiser because they know they are supporting brothers and sisters and a good employer and a new process in Partnership. It’s Union, it’s a good employer, and our Partnership helps us ensure better health care because our members have a big stake in how health care is provided. The most compelling people to convey this aren’t union leaders, but rank and file workers. They put a face to Kaiser. ”

This experience with IAM was so successful that a similar direct mailing was sent to CWA members working at BellSouth, another large employer for the region. In contrast to the standard benefit material sent by management to all of its employees, this mailing, like the one to IAM members, was an opportunity to highlight and promote Kaiser as the option to choose.

Finally, although not typically mentioned in the context of the Partnership’s membership marketing initiative, it seems worthwhile noting that the 2000 National Contract presents another way for Kaiser’s union members to bring in new members to the Health Plan:

2000 National Contract, Section 2.B.1.b:

“Parents and parents-in-law of eligible employees residing in the same service area will be able to purchase Health Plan coverage, pending legal review for compliance.”

It took a few years to implement this provision, and it is still not implemented in all regions. In the Mid-Atlantic, for example, Kaiser ran into resistance from regulators (because of Medicare eligibility issues), and is only now working on a program that would be acceptable. But Kaiser employees in most regions are now able, under the contract, to recruit their parents and parent-in-law as new members of the Health Plan.

2. Selling new accounts

Kaiser rank and file union members and stewards have participated in tours of Kaiser facilities given to potential accounts in the Mid-Atlantic States region

John Fineran, Senior Sales Executive, Labor and Consultant Sales, MAS:

“We’ll conduct a tour and I’ll have some of our union shop stewards assist me, and the stewards will explain their roles, what they do, emphasize us being a union player and the quality of our care. We are the only union vendor in the area that distributes health care...All of our competitors are non-union. It’s helpful to emphasize that buying union is buying quality....”

Two leaders from the Teamsters union came to inspect one of our Medical Centers, and the Medical Center Administrator and Union leader did the walk through. Then in the meeting, the Union leader talked about union affiliation...This is the first time we ever got into the Teamsters in this area...

[Our union members] did such an effective tour that when we were done and they stepped out, they got on their cell phone and called the [Domino Sugar] consultant and told him to ‘...not consider anyone else...’”

In some regions, Union leaders have helped Kaiser get “in the door” for new business. For example, in 2003 Kaiser was able to make a presentation for the first time, after trying repeatedly, to the San Diego Hotel/Restaurant workers,

after Walter Allen, (Executive Director of Local 30, OPEIU) spoke to the union. Similarly, Kaiser was able to make its first presentation to Long Beach City, one of the few public employers in that region that doesn't offer Kaiser as an option to its employees, after help from SEIU's David Bullock. In Georgia, union partners have opened the door to discussions with two different Trust Funds about offering Kaiser as an option.

3. *Retaining/Renewing Accounts and Members*

Union partners have been helpful in building relationships with decision makers at current accounts. In one example, the union was able to learn useful information prior to negotiations with a large state employer account. In addition, there are examples of union partners intervening when Kaiser saw itself at risk of losing an account:

- After a notice to terminate the Kaiser health plan was sent by the American Airline Pilots Association, the union partners were asked for help. Following contacts made by Tim Grey, the termination notice was canceled.
- When the employer for a long-term account in the Southern California region, with about 591 Kaiser members, notified Kaiser it wouldn't renew due to price, the marketing folks in service area got Union colleagues involved. Calls were made to SEIU labor leaders. There were some modifications in Kaiser's offering, to close gaps in benefits, and the account was retained.
- Kaiser's union partners helped retain the new Domino Sugar Plant members in the MAS Region. Local union were asked to make special efforts to give the new members red carpet service, and CKPU's Tim Gray intervened with decision makers to avert a threatened termination.
- A large rate increase created serious problems with a large public employee group (approximately 100,000 Kaiser members). With the help of a union partner, Kaiser was able to talk directly with one of the public employee unions, and reach a resolution so that the union continued to endorse Kaiser with its members. This was tricky for the union, because of the rate increase. The break wasn't fully repaired, and Kaiser lost some members (about 5,000), but since the number at risk was much higher, the loss could have been far worse.

Union Leader:

"We went to our unions and said we're working with management on cost structure improvement."

- When Fresno County threatened to withdraw from the Kaiser health plan, management brought four stewards to the renewal negotiations:

Corwin Harper, Medical Group Administrator and Director of Hospital Operations, Fresno Medical Center:

“We took four stewards to the negotiations for renewal and they were able, with the help of the Fresno county unions, to keep the business. The stewards understand the business, could answer all the questions, and provide valuable insight into the business.”⁶

Not all interventions like this are successful. Descriptions of ones where, despite labor’s effort, the accounts were lost underline the importance of product and pricing, and suggest the limits of what labor can accomplish when asked to intervene *after* problems arise. One labor leader described how in two such situations, accounts could have been retained if Kaiser’s union partners were involved earlier, before the problems arise.

4. Marketing Activities to Promote Kaiser in Organized Labor Community

Kaiser Unions “endorse” Kaiser in the organized labor community, through activities such as Labor Forums, attending or hosting union functions. These are much more targeted, strategic, activities than the unsuccessful event activities described in the late 90’s, described earlier in this report. In the MAS Region, for example, rank and file OPEIU members join a regional sales executive at events like COPE dinners, labor leadership conferences.

John Fineran, Senior Sales Executive, Labor and Consultant Sales, MAS:

“When I started on the labor sales team, I recognized that having our unions present when others couldn’t was helpful and appropriate. I try to get members of Kaiser’s unions to come to these events and be recognized. It’s helpful to have the same people there, event after event, so they become familiar with the people and are visible.”

⁶ See Adrienne Eaton’s case study on Fresno Medical Center.

In Atlanta, the UFCW president and the Health Plan's Regional President hosted a lunch meeting of leaders from union locals that represent groups to which Kaiser is already offered, and marketing executives. The lunch was held at one of Kaiser's medical offices:

Sales & Marketing Executive, Georgia:

"In October we (UFCW's President and our Regional President,) co-hosted a luncheon inviting leadership from various union locals who represent groups we are already offered to. Someone was there from UAW leadership... IBEW...and leadership from the state AFL-CIO was there for moral support.

We gave them a tour and talked about the value of KP. We showed them a video about the history of our labor management partnership. UFCW President Steve Lomax led the conversation and did an outstanding job of advocating for Kaiser and at the end of the meeting asked for their support. He asked them to do the kinds of things IAM and CWA leadership had done for us. I think in general most of them were willing to be cooperative...."

The luncheon was also an opportunity to learn useful marketing information. One issue was "unearthed" about a potential sticking point with an employer who saw Kaiser as a competitor."

In the NW Region, a marketing team, with help from the LMP, held a half-day Labor Forum in Portland, attended by about 150 people. The program, which featured a presentation by Pete diCicco, highlighted the LMP and emphasized the value KP brings as a health plan:

Gary Morgan, Senior VP, Sales & Account Management, commenting on the NW Labor Forum:

"We haven't yet quantified the business outcome, but there were good comments, and we are planning another forum this year. We expect this to be an ongoing message we can bring to the labor community. Union partners were on the planning committee and helped identify who to invite to the forum, and make sure non Kaiser unions understood and were encouraged to come. It was a positive first step."

An additional way that the Union Partners have helped Kaiser is in building relationships with important third party health benefits consultants important in the labor market.

5. Service and Cost – The Basics

While the focus of this study is on partnership activity directly related to sales and marketing, interviewees noted that Kaiser's service is a key elements in expanding membership, in all market segments:

Health Plan Executive:

“The most important thing to everyone who purchases health insurance is the cost of our services and we need to be better at this. The other piece is we have a reputation, and there is some reality here, for having service that is impersonal....and not of the highest level. We all need to work together to improve the reality and perception of that. This is not a sales and account management piece, but it will drive membership growth. We shouldn't get distracted from this. All of our workers are familiar with and reasonably able to articulate why this is a good organization to choose as someone's Health Care Provider. We need to refine those messages and create an environment where ...we can contribute to our success by the way we treat our patients and customers”

IV. Direct Results

▪ Marketing Strategy

The National Workgroup devised a national marketing strategy for the labor business line for the first time in Kaiser's history. Although one interviewee expressed the view that Kaiser would have brought a focus to the labor market segment even without the LMP, the LMP Marketing Commitment and CKPU's hiring of Tim Gray as its Marketing Director were clearly catalysts for convening the workgroup in 2003.

Health Plan Staff:

"When Tim Gray was brought in by the LMP, Herman Weil was assigned to work on this business line. Prior to this there were pockets of activities, but no national scope."

Tim Gray's participation in this workgroup engaged CKPU in the center of this strategic work. The implementation plan was to involve him in many of the recommended initiatives. When Gray went on leave from CKPU in the fall 2003, this was no successor appointed to his position as Marketing Director. Now that implementation is being ramped up since Chris Blass was appointed as Kaiser's National Director for Labor & Trust Funds, it is not clear whether or how labor will continue to have a role in overall marketing strategy.

▪ Membership increase and retention

A demonstrable increase in Kaiser's members in the labor market is the key tangible measure of success for the membership marketing initiative. Another measure would be an increase in the number of Trust Fund accounts and commercial accounts where the sale involved union activity. An additional measure would track accounts/membership retained that would otherwise have not renewed. Unfortunately, there is no comprehensive system yet in place for tracking such relevant measures. However, information was gathered by the National Strategy Workgroup that can serve as a baseline from which to track growth. The workgroup estimated total 2003 KP Union Members in the regions, based on survey data and estimates of Sales & Account Management leadership. In addition, there is a data base on Trust Fund accounts in each region and on unions where Kaiser is not currently offered or where there is low penetration.

Membership enrollment is reported regularly, and in January 2005, Kaiser grew by 90,479 members. The January figures are important because they reflect

the combined December open enrollment when employees are allowed to switch between health plans offered by their employees. In the Northwest region, there were significant open enrollment gains in UFCW Local 555 and the Plumbers and Pipefitters union.

Interviews and reports revealed a number of examples, described below, where marketing activities by Kaiser's union partners have produced direct membership results. Although no substitute for comprehensive data, these examples do demonstrate that membership gains are achievable and have been achieved.

1. Kaiser's unions have been able to open up a direct line of communication to employees who have the option of choosing Kaiser. The resulting increases in enrollment suggest that this may represent "low hanging fruit" for the membership marketing initiative. For example:

- **NW Region: close to 2500 new members (2004 and 2005):** Joint marketing material sent to UFCW members during an open enrollment drive (described earlier), resulted in 965 new Kaiser members in 2004, and another 565 added in January 2005. This marketing initiative, developed by UFCW and the Kaiser Marketing Team, has led to a number of other groups expressing interest in working with KP on a joint communication project. A similar marketing letter to SEIU added 742 new net members, more than the estimated 350 that sales and marketing had expected. And a collaborative effort with the Plumbers and Pipefitters Union resulted in a gain of 173 new members.
- **MAS Region: over 200 new members (2005):** A 28% increase (211) in members at Lockheed Martin in Atlanta in January 2005 followed joint marketing to IAM members (described above).

2. KP's union partners have been helpful in selling new accounts:

- **MAS Region: approximately 1,800 new members (2003 and 2004):** Approximately 900 new members were added in the Mid-Atlantic States Region in 2004 after a successful marketing effort that included Kaiser union members showing Teamster representatives through one of the medical centers, and a meeting between Kaiser union leaders and Teamster leaders to talk about union affiliation. Sales Executive John Fineran describes this as an important breakthrough, and believes that the union pitch was important to this sale. In 2003, a new account was sold to Domino Sugar after a Medical Center tour with Kaiser rank and file union members. This sale resulted in adding an estimated 900 UFCW Local subscribers and their dependents as new Kaiser members.

- Union leaders have helped Kaiser get “in the door” for new business: In 2003 KP made a presentation for the first time, after trying repeatedly, to the San Diego Hotel/Restaurant workers, after Walter Allen, Executive Director of Local 30, OPEIU spoke to the union. Similarly, KP was able to make its first presentation to Long Beach City, one of the few public employers in that region that doesn’t offer KP as an option to its employees, after help from SEIU’s David Bullock. In Georgia, union partners have opened the door to discussions with two different Trust Funds about offering Kaiser as an option.

3. Joint marketing has helped retain accounts that were in jeopardy. For example:

- In the **Southern California** region, an account was retained with about **591** Kaiser members.
- The American Airlines Pilots Association’s account, renewed after union intervention, currently has **3,332** members, with the potential for much larger numbers if penetration is increased.

4. In 2004, five regions reported a total of 245 new members as a result of the 2000 contract provision extending membership opportunity to parents and parents-in-law. This represents 1.2% of the total growth in Kaiser’s membership in 2004. In Northern California, the 126 new members represent 0.7% of the region’s membership growth; and in Colorado, the 39 new members represent 0.3% of the region’s membership growth. For Southern California, the 80 new members modestly reduced the small membership loss reported in 2004.

Thus, after a slow start, some substantive results have been achieved, and the experiences suggest ways to make more significant progress

V. Indirect results

Witnessing the success of joint marketing activities has increased Sales and Marketing executive confidence in the LMP strategy, although this is not universal.

Two different views from Regional Health Plan Executives:

- *“Two years ago people doubted labor could be helpful. As a result of what we’ve seen [more recently] there’s a high degree of optimism.”*
- *“In general the idea that we’d attract large number of new members is more an opportunity than a reality...It’s going to help around the edges only, because I don’t think the unions have very much influence over each other. The market research findings were pretty dramatic. Some doors can get opened, and we can make some more progress...Having the LMP relationship will help some. But this won’t be huge.”*

The National Strategy Workgroup’s engagement and recommendations have strengthened the capacity to make progress on the LMP marketing goal. The workgroup, which has devised a national strategy for the labor business line for the first time in Kaiser’s history, was formed in 2003 as a result of the LMP goal. Due largely to its work to date: relationships have been established or improved with important third parties who influence Trust Fund decision making; a training program for the marketing and sales force was developed and delivered; Kaiser has hired a national sales director, Chris Blass, who began in the fall of 2004; and there is a strategy in place to achieve growth in this business line.

There has been some limited diffusion of best practices through labor’s own networks. A local union leader in Ohio contacted union colleagues in other regions for ideas after hearing concerns from the marketing team that marketing is sensitive and involving labor in the sales effort can be risky. She got information about what labor was doing to help in the Mid-Atlantic States, and became the intermediary to give this information to marketing people in her region to overcome their reluctance.

VI. Concluding Thoughts

The examples described in this study of joint marketing activities during the past few years confirm that the Partnership's Membership Marketing Initiative can result in increasing Kaiser's membership in the labor market. Kaiser's union partners have been able to create a path that did not exist before for direct communication to reach account decision makers for sales and renewals, and potential members during open enrollment periods. This communication has both accessed useful information for Kaiser about potential and current customers, and has influenced health plan decisions. The message delivered to union leaders, health plan decision makers and members considering the Kaiser health plan option endorses the quality of Kaiser's plan and services, the commitment of Kaiser to partner with its unions, and the involvement of Kaiser's union staff in providing service that excels.

Experience with joint marketing activities (such as the material developed in the NW Region and Georgia) is breaking down some of the initial skepticism and resistance from the sales and marketing executives, although there are still skeptics who question whether this will do more than "*help around the edges.*" However, with the new National Labor and Trust Fund Director Chris Blass and CKPU's Elizabeth Engberg both on board, Kaiser is poised to move forward more systematically and aggressively to develop the labor market segment with the help of its Union partners.

One challenge in realizing the Membership Marketing Initiative's potential is adapting the vision of partnership to this arena and resolving how Kaiser's sales and marketing team and the union partners can work together most effectively to expand Kaiser's market share. Viewing the Partnership as between the sales and marketing team *and the LMP* obfuscates this by suggesting there is a third party in the mix (since LMP is, of course, labor and management). Other challenges to be met in order to realize the potential of the Membership Marketing Initiative include:

- The disconnect discussed earlier, between management's and labor's views about involving labor in strategic marketing discussions and decisions – both on individual potential and current accounts, and on strategy more generally, needs to be addressed. Labor is frustrated by what it sees as a continuing reluctance to appreciate the benefits of engaging jointly before a problem has arisen with a Kaiser account -- the value added by involving unions in strategically planning the approach to new and renewing accounts, and its potential role in maintaining good relationships during the period a contract is in place, in contrast to being called in after a problem has arisen. The capacity of union partners to contribute to this is uncertain.

- Follow-through cannot be taken for granted, as priorities shift and the crises requiring response interfere. The comments by one regional sales & marketing executive underscore this: *“The biggest challenge is commitment and follow-through. This is one of many things on people’s plate. It needs to be a priority to attend meetings, to follow-through. This has been spotty in the past.”* This problem is not unique to this Partnership initiative.
- There needs to be a better mutual understanding of what the union partners can, and cannot, accomplish. Expectations are both too high, and too low, as framed by the following comments by two labor leaders:

Robert Hochberger, Southern California Regional LMP co-chair and CKPU National Coordinator:

“There are Regional Presidents and others who think unions can waive a wand and produce members... Kaiser thought we could help by getting [one] union to offer Kaiser in its trust fund. It took forever where we are now close to this. But the Trust is joint labor and management, there are restrictions, hurdles. Kaiser didn’t understand the value of the unions – thought we could just go out and do it. That mentality is more universal than people will admit – that if we wanted to, we could.”

Dinah Weyand, OPEIU Local 17, CKPU Partnership Representative:

“We gathered our labor representatives and [the marketing representative] talked to us about how to be a part of marketing. He shared with us how sensitive our marketing is. We don’t want to do anything to jeopardize this. His feeling is that once we get our members (at the front line level), our job is to give them 100% satisfaction. And do health fairs. We all understood what he was saying and appreciated his time but the front line staff wanted to do more.”

Creating a clearer understanding of how partnering for marketing can work well maximizes the odds that it will.

- There is no consistent model for engagement in the regions, and it may well be that different conditions necessitate more than one approach. Kaiser’s new National Labor and Trust Fund Director Chris Blass recognizes that one of the challenges in leveraging Partnership is devising *“the optimal structural way for sales and marketing to interact with labor.”*
- Frustration about the pace of progress, and the invisibility of progress that is made, can undermine how much effort union partners will invest going forward, and management’s confidence in the strategy, which as discussed earlier is central to making it work. Comments by one labor leader reflect

this frustration: *“From our perspective it’s a great opportunity. Let’s force the issue now, and recover. We’ve got too much to do to spin our wheels. If [my region] really wants to partner, we’re more than happy to do that. The verdict is out. Kaiser’s senior leadership has to make a decision about really committing to partner with us.”*

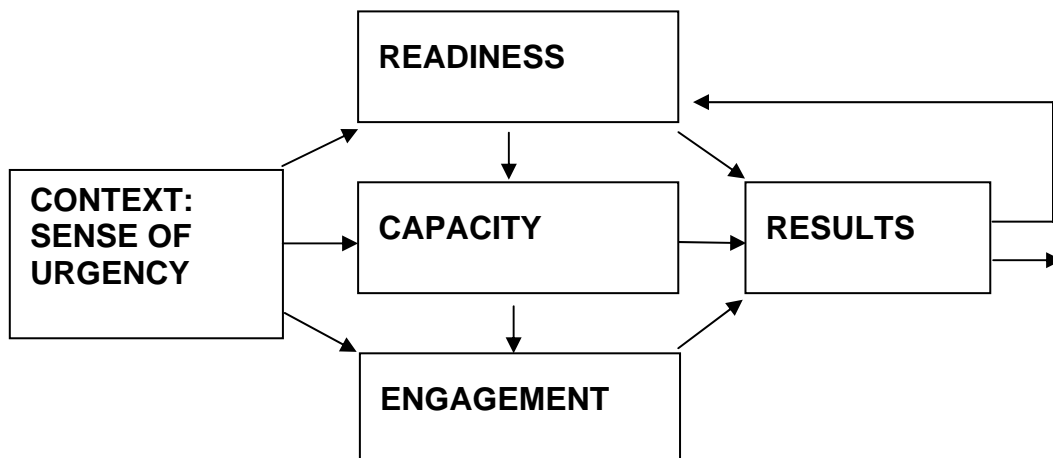
- The ability to track results is essential -- to determine the extent to which the Membership Marketing Initiative is successful, and to derive information on what does and does not work. Without being grounded in solid information, perceptions of joint marketing will continue to be colored by more ad hoc experiences and expectations, and progress will be impeded.

APPENDIX A: Framework Analyzing Partnership Projects

(Excerpt from Kochan, et. al, The Labor Management Partnership at KP: 2002-2004, pp. 7-8 (Work In Progress)).

Figure 3 summarizes the framework we use to analyze Partnership activities and to structure the body of this report. It is based on well established theories of organizational change from the behavioral sciences and labor management relations⁷ and uses the language and strategies Kaiser Permanente leaders draw on in implementing the Partnership. We will start by reviewing the context in which Partnership activities are situated, focusing primarily on the degree of urgency or crisis that motivates the project. Then we will analyze the structures and processes used to design and implement projects by drawing on the Partnership terms of readiness, capacity, and engagement. Finally we will draw on the best data available to report the results of the activity, both in terms of specific substantive results and their effects on on-going relationships, learning, and diffusion of partnership behaviors and principles. In using this model we will give special focus to “pivotal events” or challenges parties inevitably encounter in partnerships like this and discuss how they have been addressed, and their effects on the Partnership.

Figure 3: Heuristic model of LMP



⁷ See for example, Kurt Lewin, “Frontiers in Group Dynamics,” *Human Relations*, Vol. 1, 1947, pp. 5-41; Thomas A. Kochan and Lee Dyer, “A Model of Organizational Change in the Context of Union-Management Relations,” *Journal Applied Behavioral Science*, Vol. 12, 1976, pp. 59-78; John Kotter, “Leading Change: Why Transformation Efforts Fail,” *Harvard Business Review*, March-April, 1995; Richard E. Walton, Joel Cutcher-Gershenfeld, and Robert B. McKersie, *Strategic Negotiations: A Theory of Change in Labor-Management Relations*, Boston: Harvard Business School Press, 1994.

