MEMORANDUM OF AGREEMENT

Regarding

Health Benefits for 2007 - 2009

For Represented Benefits-Eligible Employees

By and Between King County and

Unions Representing King County Employees

Whereas, certain designated representatives of the County and the Unions signatory hereto have agreed to participate in discussions as members of the Joint Labor Management Insurance Committee for the purposes of reviewing, studying and making recommendations relative to the County's existing medical, dental, vision and life insurance programs; and

Whereas, collective bargaining agreements between King County and the Unions signatory hereto contain language adopting the recommendations of the Joint Labor Management Insurance Committee; and

Whereas, the County and the Unions signatory hereto have agreed to develop plan modifications for 2007 – 2009 to improve quality of care for employees while achieving employer affordability of the plans.

Therefore, the parties, having bargained in good faith, hereby agree to the following benefit plan design changes for benefit plan years 2007-2009:

A. Health Plans – Healthy Incentives Program

1. **Overview** Health Plans will be available to employees through the Healthy Incentives Program.
   - Concept: The Healthy Incentives Program is designed to encourage employees and their spouses/domestic partners to participate in demonstrated health improvement programs. Employees and spouses/domestic partners who participate in these programs earn points that may be used to obtain health plans that have lower out-of-pocket costs.
   - Goal: The goal of this program is to improve the health status of County employees and their family members, and therefore, to reduce the rate of increase in health care costs by 1/3 through positive personal behavior changes.

- Principle: If 10% of those "at risk" adults improve healthy behaviors the County and its employees will achieve the program's goal.

2. **Program Features**
   - There are two health plans. One plan is a preferred provider option (PPO) model (similar to the KingCare plan) and one is a health maintenance organization (HMO) model (similar to the Group Health Plan).
   - Within each of the PPO and HMO plans there are three levels of out of pocket expenses – bronze, silver and gold. All three levels cover the same services and benefits; however each has different levels of out-of-pocket expenses for employees. The bronze level has the highest deductibles, co-insurance and co-pays; gold has the lowest. Silver is between gold and bronze.
   - Employees and their spouses/domestic partners who participate in a confidential annual wellness assessment and follow-up programs will earn points that make them eligible for the silver and gold levels of out-of-pocket expenses.
   - There will be a set number of points needed to earn the silver level of out-of-pocket expenses and a higher number of points needed for the gold level of out-of-pocket expenses.
   - All employees will be eligible to obtain the "gold" level of out-of-pocket expenses.
   - If the employee wants to enroll his/her spouse/domestic partner and the employee wants to have either a silver or gold-level of out-of- pocket expenses, both the employee and the spouse/domestic partner must earn the requisite number of points.
   - The exact plans, the PPO and HMO, as well as each of the three levels (Gold, Silver, Bronze) of out-of-pocket expenses will be designed in 2005 and modified as needed as a result of the request for proposal process for program vendors. The intent is to have the PPO gold level of out-of-pocket expenses equal, to the extent possible, the 2003-2006 KingCare Preferred Plan, and the HMO gold level of out-of-pocket expenses equal, to the extent possible, to the 2003-2006 Group Health plan.
   - The parties will design an appeals procedure for employees seeking to have points applied for eligible activities. The purpose of this process is to ensure that all points earned have been properly recorded prior to the determination of eligibility for a specific level of plan. The appeals process will not address what activities should count for points, the number of points an activity should be worth, or how many points are needed overall for eligibility for a certain level of out-of-pocket expenses.
   - In addition to the health plans, the Healthy Incentives program will offer information and services for disease management, case management and other programs that can assist employees and their families to gain and maintain better health.
   - All individual health information collected in any of these programs will be held by a vendor external to the County in accordance with strict

adherence to the Health Insurance Portability and Accountability Act (HIPAA) guidelines. No individual health information will be disclosed to the County. HIPAA guidelines and the steps taken to ensure these are met will be communicated to employees.

- An employee's decision to participate in or not to participate in the Healthy Incentives Program may not be used as a basis for disciplinary action.

3. **Timeframe and Point System**
   - Beginning in 2006, employees and spouses/partners are eligible to earn points by completing an annual wellness assessment and participating in health improvement programs. These points will determine in which level of out-of-pocket expenses employees and their dependents will be eligible to enroll for 2007.
   - Points earned in 2007 will determine the level of out-of-pocket expenses for employees in 2008.
   - Points earned in 2008 will determine the level of out-of-pocket expenses for employees in 2009.
   - The number of points needed to earn silver or gold levels of out-of-pocket expenses will be determined during the request for proposal process for selecting the external vendor who will administer this program for the County. In addition, the vendor must be able to demonstrate that the included behavioral changes and activities employees and spouses/partners may do to earn points are clinically valid.

4. **Reopener/Plan Changes**
   - The parties acknowledge that the combination of programs set forth above achieves most of the goal of a 1/3 reduction in the increased health care costs. The parties agree to continue to negotiate additional plan features to fully reach the 1/3 goal.
   - The parties acknowledge that improvements and innovations in the health care delivery system may occur during the term of this Agreement that will improve the plan design and support the program goal. The parties further agree that, upon mutual agreement, the plan may be modified to take advantage of improvements and innovations consistent with the program goals.
   - In addition, the parties agree to develop methods of monitoring the program's progress in meeting its overall goals. If the program is not having the desired effects, the parties agree to negotiate effective plan design changes to improve the program's success.
   - The parties further agree that through the RFP process, the wellness assessment and other elements of the program will be designed and fine-tuned.
   - The County and ATU Local 587 agree to reopen negotiations over the part-time transit operators' benefits eligibility and agree that such negotiations will be conducted pursuant to Chapter 41.56 RCW; pursuant

to that statute, these discussions are subject to interest arbitration. A negotiations meeting will be scheduled prior to April 1, 2005.

- The parties agree that in the event the County negotiates an incentive for bargaining units not participating in the JLMIC to accept the Healthy Incentives Program, the County will extend that incentive to the bargaining units covered under this agreement.

B. Dental & Vision

The parties agree to extend the current plan designs without changes in coverage during the term of this Agreement. The County retains the right to change plan administrators, based upon competitive bidding process.

C. Retiree Plans and Pre-tax Savings Plan

1. **Retiree Options.** The parties agree that for the duration of this Agreement retirees will continue to have available, under the same conditions that exist presently, the same plans as offered to active employees. The JLMIC will conduct a survey of active employees near retirement as well as retirees participating in the plans to determine if other plan options (such as offering an alternate, high-deductible plan) would be desired. In addition, the parties will review whether retirees may defer enrollment in the retiree medical plan if they continue on the County's plan as a dependent of a spouse/partner who is an active County employee.

2. **Pre-tax Savings Plan.** The parties agree to negotiate a pre-tax savings plan for post retirement medical benefits to be effective 1/1/07.

3. **Voluntary Insurance Options.** The parties further agree to review which voluntary, employee-paid programs, if any, will be made available to employees through payroll deduction.

D. Term, Total Agreement & Severability

1. **Total Agreement.** This Agreement comprises the entire Agreement of the parties with respect to the matters covered herein, and no other agreement, statement or promise made by any party which is not included herein shall be binding or valid. This Agreement may be modified or amended only by a written amendment executed by all parties hereto.

2. **Severability.** The provisions of this Agreement are intended to be severable. If any term or provision of this Agreement is deemed illegal or invalid for any reason, such illegality shall not affect the validity of the remainder of this Agreement.

3. **Term.** This Agreement shall be in effect from the date of the last signature below through December 31, 2009.

On behalf of King County:

Ron Sims, King County Executive — Date: 5-09-05

On behalf of the Unions Participating in the Joint Labor Management Insurance Committee:

William Dennis, Staff Representative, WSCCCE Council 2 — Date: 3/16/05

John Masterjohn, Business Manager, PSIE, Local 1239 — Date: 3/15/05

Lance Norton, President/Business Agent, ATU, Local 587 — Date: 4-4-'05

John A. Williams, Secretary-Treasurer, Teamsters Local 117 — Date: 3-18-05

Dustin Frederick, Business Manager, SEIU-PSE, Local 519 — Date: 3/15/05

Whitney Hupf, Union Representative, IFPTE, Local 17 — Date: 3/28/05

Dan Scott, Secretary-Treasurer, Teamsters Local 174 — Date: 3-21-05

Irene Eldridge, Secretary-Treasurer, SEIU, Local 925 — Date: 3/31/05

Janet Parks, Labor Representative, Washington State Nurses Association — Date: 3/15/05

Doug Justus, President, King County Corrections Guild — Date: 4/21/05