Allina Health makes the following economic package proposal:

16. **Wages:**

   a. **Service Contract:** Across-the-board increases to the current base wage scales as follows:

   - 0.5 percent increase effective the date of ratification.
   - 0.5 percent increase effective March 1, 2016.
   - 0.5 percent increase effective March 1, 2017.

   b. **LPN Contract:** Across-the-board increases to the current base wage scales as follows:

   - 0.5 percent increase effective the date of ratification.
   - 0.5 percent increase effective March 1, 2016.
   - 0.5 percent increase effective March 1, 2017.

   c. **Technical Contract:** Across-the-board increases to the current base wage scales as follows:

   - 0.5 percent increase effective the date of ratification.
   - 0.5 percent increase effective March 1, 2016.
   - 0.5 percent increase effective March 1, 2017.

17. **Health Insurance:** Replace LOU #65 with a new letter of understanding as described in the attached Exhibit I.

18. **Duration:**

   a. **Service Contract:** Date of ratification through February 28, 2018.

   b. **LPN Contract:** Date of ratification through February 28, 2018.

   c. **Technical Contract:** Date of ratification through February 28, 2018.
Allina Health reserves the right to propose language “clean up” items and to agree to make technical corrections during the contract drafting process.

Allina Health reserves the right to add, subtract, or modify its proposals and the right to make counter-proposals regarding any proposals submitted by the Union.
EXHIBIT I

LOU #XX
Allina/SEIU
Effective Date: MONTH DATE, 2015
Ending Date: February 28, 2018

Allina Health System
and
SEIU Healthcare Minnesota

SUBJECT: Health Insurance

The parties acknowledge that unforeseen changes in the healthcare industry may precipitate review of the “Affordable Health Plan” (currently known as the “Allina First (Alt)” plan) offered to SEIU-represented employees at Allina Health System. The parties agree to establish a joint Healthcare Committee, composed of no more than 4 representatives chosen by the employer and no more than 4 representatives chosen by the union. Such Healthcare Committee will be responsible for addressing health plan issues, including, but not limited to, requested changes to plan design, healthcare education, plan performance and legislative or regulatory issues that affect health benefits provided to employees. The Director of Benefits for Allina and Assistant to the President of the Union (or their designees) shall co-chair the Healthcare Committee.

The Healthcare Committee shall have the authority to make changes in the plan design to adjust for medical trend, to control for unexpected utilization, and incorporate any other unforeseen changes to legislative or regulatory landscape applicable to the provision of employee benefits.

To the extent that the Allina First (Alt) plan is subject to the so-called “Cadillac” or excise tax under the Affordable Care Act, the parties agree that the full amount of the tax will be paid by the employees and the premium contributions described in Article 21 will be adjusted so that the full amount of the tax is passed along to the employees.

AGREED TO:

ALLINA HEALTH SYSTEM

By ____________________________
Its ____________________________
Dated __________________________

SEIU HEALTHCARE MINNESOTA

By ____________________________
Its ____________________________
Dated __________________________
Introduction

• Principles
  – We want market competitive wages to fairly compensate our employees.
  – We want to continue to retain and recruit quality employees.
  – We need to be good stewards of the organization’s resources in a challenging and changing healthcare environment.
Health care is changing

• Themes
  – Where people seek care is changing – hospital volumes are flat or dropping.
    • Inpatient admissions dropped 3.5 percent in 2014.
  – We are getting paid LESS for the care we provide.
  – We receive no reimbursement for services like care coordination.
  – We’re moving from a fee-for-service model to a total-cost-of-care model.
  – Healthcare reform is moving in a favorable direction, but the pace is too slow.

Here’s where it hurts...and will continue to hurt

• Our payer mix is shifting from commercial pay to government pay (Medicare and Medical Assistance).
  – Medicare pays only 62 cents on every dollar of service and this patient population continues to grow.
  – Medical Assistance similarly underpays and that population is also growing.
  – Government reimbursement rates are continuing to be squeezed by state and federal budget cuts.
• While charity care costs are down, bad debt is up due to the rise of high deductible health plans.
• MNSure coverage only benefited a small % of patients and does not offset significant losses from reductions being made by all of our payers.
We must adapt

• Allina Health must learn how to do more with less.
  – Be flexible and innovative with how we deliver care (e.g., staffing and overtime, technology, etc.).
  – Shift from inpatient to outpatient care.
  – Operate in ways that meet patients’ needs rather than relying on the old models of care.

Wages must reflect the market

• Allina Health does regular analysis to ensure the pay and benefits we provide are competitive.
• Our wage scales for SEIU-represented service employees are 6-9% above other Twin Cities hospitals.
  – The reimbursements we receive for care are not 6-9% above the other systems.
Environmental Services Aide

<table>
<thead>
<tr>
<th>2/28/15</th>
<th>Allina Health</th>
<th>Twin Cities Hospital</th>
<th>Difference</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
<td>$15.95</td>
<td>$14.25</td>
<td>$1.70</td>
<td>10.7%</td>
</tr>
<tr>
<td>Year 5</td>
<td>$19.39</td>
<td>$17.48</td>
<td>$1.11</td>
<td>9.8%</td>
</tr>
<tr>
<td>Year 8</td>
<td>$20.13</td>
<td>$18.18</td>
<td>$1.95</td>
<td>9.7%</td>
</tr>
<tr>
<td>Year 15</td>
<td>$20.74</td>
<td>$18.72</td>
<td>$2.02</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

A full-time EVS aide at the year 5 step receives $40,331 per year, which is $3,973 more than counterparts at other hospitals.

Nutrition Services/Dietary Aide

<table>
<thead>
<tr>
<th>2/28/15</th>
<th>Allina Health</th>
<th>Twin Cities Hospital</th>
<th>Difference</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
<td>$15.20</td>
<td>$14.25</td>
<td>$0.95</td>
<td>6.3%</td>
</tr>
<tr>
<td>Year 5</td>
<td>$18.60</td>
<td>$17.48</td>
<td>$1.12</td>
<td>6.0%</td>
</tr>
<tr>
<td>Year 8</td>
<td>$19.34</td>
<td>$18.18</td>
<td>$1.16</td>
<td>6.0%</td>
</tr>
<tr>
<td>Year 15</td>
<td>$19.91</td>
<td>$18.72</td>
<td>$1.19</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

A full-time nutrition services aide at the year 5 step receives $38,688 per year, $2,330 more than counterparts at other hospitals.
Our wages are high

Nursing Assistant

<table>
<thead>
<tr>
<th>2/28/15</th>
<th>Allina Health</th>
<th>Twin Cities Hospital</th>
<th>Difference</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
<td>$16.25</td>
<td>$14.91</td>
<td>$1.34</td>
<td>8.2%</td>
</tr>
<tr>
<td>Year 5</td>
<td>$19.73</td>
<td>$18.18</td>
<td>$1.55</td>
<td>7.9%</td>
</tr>
<tr>
<td>Year 8</td>
<td>$20.54</td>
<td>$18.96</td>
<td>$1.58</td>
<td>7.7%</td>
</tr>
<tr>
<td>Year 15</td>
<td>$21.15</td>
<td>$19.52</td>
<td>$1.63</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

A full-time nursing assistant at the year 5 step receives $41,038 per year, which is $3,234 more than counterparts at other hospitals.

Let's talk health insurance

Allina Health provides a great health insurance benefit package with more favorable employer contributions.

<table>
<thead>
<tr>
<th>2015</th>
<th>Allina Health Employer Contribution (Allina First (Alt) Plan)</th>
<th>Twin Cities Hospitals Employer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee only</td>
<td>90%</td>
<td>85%</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>82.9%</td>
<td>75%</td>
</tr>
<tr>
<td>Employee + Spouse</td>
<td>82.5%</td>
<td>75%</td>
</tr>
<tr>
<td>Family</td>
<td>84.7%</td>
<td>75%</td>
</tr>
</tbody>
</table>
2018 and the “Cadillac” tax

- Beginning in 2018, health plans that cost more than specified thresholds will be subject to a 40% Cadillac (excise) tax.
  - Plan changes are necessary if you want to keep your health coverage affordable.
  - Paying the tax provides no extra benefit to you. It just makes healthcare more expensive.

Let’s talk retirement benefits

- Allina Health and the other Twin Cities hospitals participate in the same Twin Cities Hospital Workers Pension Fund.
- Allina Health also provides:
  - a 1% match to the 401(k) contributions of the service workers. We are the only Twin Cities hospital to offer this extra.
  - an automatic 1-2% annual contribution to technical employees.
Our wages still lead the market

Remember those 5-year employees we looked at earlier? With our proposal, they'll still earn MORE at Allina Health.

<table>
<thead>
<tr>
<th></th>
<th>Allina Health (3/1/17)</th>
<th>Other Twin Cities Hospitals (3/1/17)</th>
<th>Difference</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Env. Svc</td>
<td>$19.68</td>
<td>$18.27</td>
<td>$1.41</td>
<td>7.2%</td>
</tr>
<tr>
<td>Ntn. Svc</td>
<td>$18.88</td>
<td>$18.27</td>
<td>$0.61</td>
<td>3.2%</td>
</tr>
<tr>
<td>N.A.</td>
<td>$20.03</td>
<td>$19.01</td>
<td>$1.03</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
Thank You