

THE MARKET

Kaiser Permanente is America's largest not-for-profit health plan. It was founded in 1945 and is headquartered in Oakland, California. Kaiser Permanente is composed of Kaiser Foundation Health Plans (nonprofit corporations), Kaiser Foundation Hospitals (a nonprofit, public-benefit corporation), and the Permanente Medical Groups (for-profit professional organizations).

For nearly 60 years, Kaiser Permanente has led and shaped improvements in the quality of American health care. Its voice has been at the national public policy table in every administration since Franklin D. Roosevelt.

Kaiser Permanente serves the health care needs of more than 8.2 million members in California, Colorado, Georgia, Hawaii, Maryland, Ohio, Oregon, Virginia, Washington, and the District of Columbia. Nationwide, Kaiser Permanente employs more than 140,000 technical, administrative, and clerical employees and 12,000 physicians representing all specialties.

Operating revenues for 2003 were \$25.3 billion.

ACHIEVEMENTS

Kaiser Permanente receives consistently high marks in quality measurement surveys conducted by independent review organizations. Most



recently, six Kaiser Permanente regions were awarded top national and regional ratings in the National Committee for Quality Assurance (NCQA) 2003 *State of Health Care Quality* report.

Kaiser Permanente's Northern California, Southern California, Northwest, and Hawaii regions were rated in NCQA's Top Five Pacific regions. Kaiser Permanente Georgia was among the Top Five in the Southern Atlantic region, and Kaiser Permanente Colorado rated among the Top Five regional health plans as well as one of the Top Ten health plans in the nation.

In 2003, Kaiser Permanente received 20 national environmental awards and an honorable mention from the federal Environmental Protection Agency under the 2003 Climate Change WasteWise Award.



HISTORY

Sidney R. Garfield, MD, and industrialist Henry J. Kaiser were the visionaries behind Kaiser Permanente.

Between 1933 and 1938, Dr. Garfield introduced prepayment and prevention in his Southern California practice caring for the workers building the Colorado River Aqueduct to Los Angeles. He turned medical economics on its head. Instead of being paid by the insurance companies when workers were injured or sick, he was prepaid a nickel a day per worker. Guaranteed stable income, he realized that if he promoted wellness, money he saved could be devoted to illness. Workers were healthier. The employer lost fewer days of work to injuries. Everyone was better off.

In 1938, Henry Kaiser was working on the Grand Coulee Dam in Washington State, the largest construction project in world history. Frustrated on three earlier jobs by the challenge of providing medical care at remote construction



sites, he turned to Garfield. Garfield created a multi-specialty group practice, organized a coordinated delivery system, and added dependents to the prepayment plan. With entire families covered, he witnessed an almost immediate drop in serious illnesses. Because cost no longer was a barrier, people were coming in early for care.

With U.S. entry into World War II, Henry Kaiser's shipyards, along with his steel mill in Fontana, California, exploded into action on the home front. Hundreds of thousands of men and women suddenly needed medical care. President Franklin D. Roosevelt exempted Dr. Garfield from the Army to provide this service.

Other important concepts emerged during the war years. Dr. Garfield urged Henry Kaiser and his wife, Bess, to create a nonprofit foundation to be a central financial structure. Now they could maximize the dollars available for medical care, including reserving money for future construction of medical facilities, for clinical research, for support of medical education, and for public health work in the community-at-large.

When the war ended, the Permanente Foundation Health Plan opened its doors to the general public and grew into Kaiser Permanente.

THE PRODUCT

Kaiser Permanente provides its members with a high-quality, comprehensive, and convenient health care experience. Its integrated health delivery system provides members with a wide array of services, often under one roof. These services include health education, laboratory, optical, pediatrics,

pharmacy, physical therapy, podiatry, psychiatry, and radiology.

Nationwide, Kaiser Permanente operates 30 hospitals and 431 medical office facilities. Among other services, at www.kaiserpermanente.org, members can conveniently refill prescriptions.

Permanente Medical Group physicians practice evidence-based medicine in multi-specialty groups designed to coordinate efficient delivery of quality care. Members have access to specialists in almost every field of medicine and can self-refer to selected specialties. At Kaiser Permanente, medical decisions are made jointly by physicians and their patients.

RECENT DEVELOPMENTS

In 2003, Kaiser Permanente invested \$157 million of a committed \$3 billion in the design and the early stages of implementation of what is believed to be the largest civilian system of electronic medical records in the United States.

KP HealthConnect is designed to securely link all Kaiser Permanente medical office buildings and hospitals, labs and pharmacies, with medical data about the organization's members. It will give Kaiser Permanente health care professionals immediate access to complete, up-to-the-minute medical records, including a member's test or lab results, prescriptions, allergies, past appointments, referrals, and more. Having access to the most current information about their patients will provide clinicians with valuable tools to assist them in providing high-quality service and will result in many benefits in terms of improving health care quality and patient safety, lowering health care costs, and expanding important research opportunities.

As part of its commitment to being a flexible and accessible provider of medical care, Kaiser Permanente is offering new benefit plan options and health care products beyond its traditional health maintenance organization (HMO) plan. New products that include deductibles and co-insurance options are now offered. Future developments will include Health Savings Account (HSA)-compatible deductible plans, payment cards, and other member financial services.



PROMOTION

In summer 2004, Kaiser Permanente launched a multi-year image advertising campaign focused on the total health of the consumer. The campaign emphasized aspects of health that go beyond treating illness, reflecting the consumer insight that total health encompasses a balance of wellness in the mind, body, and spirit.

The campaign communicates Kaiser Permanente's role as a health advocate and its commitment to a proactive vision of health that includes wellness and prevention as well as quality medical care. Kaiser Permanente has always



believed in an approach to care that emphasizes wellness at every stage of life. The new ads communicated that Kaiser Permanente stands for total health and empowers members to maximize their well-being and live a happier, healthier life — in a word, to thrive.

BRAND VALUES

Kaiser Permanente exists to provide affordable, high-quality health care services to improve the health of its members and the communities it serves.

Kaiser Permanente invested \$641 million in Community Benefit activities across America in 2003 — 84 percent, or \$539 million, of these expenditures were focused on caring for people with either no health insurance coverage or limited access to private health care.

In its nearly 20 years of existence, more than 11 million people have attended productions by Kaiser Permanente Educational Theatre Programs. The programs currently are available in California, Colorado, Georgia, Maryland, Virginia, and Washington, D.C. The productions provide up-to-date, age-appropriate health information to young people between the ages of 5 and 18, and to a growing number of adults as well.

In 2003, Kaiser Permanente invested \$62 million in health education, \$30 million of which went to physician residency programs and \$12 million to nursing, pharmacy, and other allied health professional training programs. Scholarships and mentoring opportunities were offered

to 1,400 students.

Kaiser Permanente's environmental mission is to provide health services in a manner that enhances the environment and the health of communities now and for future generations. In 2003, Kaiser Permanente's waste minimization program diverted approximately 8,000 tons of solid waste from landfills. More than 40,000 pieces of electronic

equipment, collectively weighing 410 tons, were reused, redeployed, or recycled.

Conducting research, moving that research into practice, and sharing the results have always been a priority at Kaiser Permanente. In 2003,

Kaiser Permanente conducted 1,776 clinical trials, epidemiological studies, and other health services research. Study topics included the dangers of hormone therapy for post-menopausal women, the heart-health benefits of moderate alcohol consumption, and the efficacy of the smallpox vaccine and other immunizations.

Partnering with organized labor is another strong Kaiser Permanente brand value. Henry Kaiser enjoyed good relations with labor unions because he viewed them as partners. Kaiser Permanente owes its growth in large part to organized labor. That partnership was formalized in the 21st century by a Labor Management Partnership, the largest health care partnership in the United States, involving more than two dozen unions.



THINGS YOU DIDN'T KNOW ABOUT KAISER PERMANENTE

- As a nonprofit health plan, Kaiser Permanente's revenues are reinvested in projects that benefit members, not shareholders. Member dues are used to build health care facilities, expand care into new areas, and help improve quality of care.
- More than 90,000 babies are delivered each year at Kaiser Permanente facilities.
- Each year, nearly 109 million prescriptions are filled at Kaiser Permanente.
- Kaiser Permanente medical providers care for patients during 32 million office visits annually.
- www.kaiserpermanente.org offers free, non-commercial access to more than 40,000 pages of physician-approved health-related information — covering about 1,900 topics and 6,000 medical tests and procedures — to anyone, with no password needed.