to our colleagues and communities
Find a need and fill it. That was more than a motto—it was a way of life—for Henry J. Kaiser, one of the nation’s premier industrialists of the 20th century. With equal parts vision, will and pragmatism, he fueled the construction of major dams, aqueducts and even warships during World War II. He also co-founded one of the nation's largest and pre-eminent health care organizations: Kaiser Permanente.

The echo of Kaiser’s motto has reverberated through Kaiser Permanente since its inception almost 60 years ago. Every day, our 135,000 employees and nearly 12,000 physicians attend to the health care needs of 8.4 million members and thousands of health care purchasers in hundreds of communities across the country.

But the people of Kaiser Permanente do more than just fill needs. We listen, we ask questions, we learn. We understand the people who rely on us for their health care, and we provide solutions that not only solve the needs of today, but also anticipate the needs of tomorrow.

This report for 2002-2003 offers a glimpse into what makes Kaiser Permanente the health care solution for so many people. Inside you will find a remarkable story about Diana Cruz, a Kaiser Permanente patient in Colorado with diabetes. Diabetes is an epidemic, one of the most devastating diseases of our times. Today, 17 million Americans are diabetic—up to 5 percent of employees at any given company in America have the disease. If improperly managed, diabetes can lead to multiple, complex chronic conditions that severely compromise the quality of life and even cause death. The Centers for Disease Control and Prevention recently predicted that one in three children born in the United States in the year 2000—and one in two African-American and Latino children—will develop diabetes if current trends continue.

For Diana, diabetes has not only meant a challenge to her own health, but also a challenge to her dreams of becoming a mother. How Kaiser Permanente is helping Diana manage her health—and fulfill her dreams—serves as an example of our commitment to caring for the health care needs of each person as an individual.

We also understand the needs of people who make up the communities we serve. Our Community Benefit Investment program is fundamental to our not-for-profit mission, going above and beyond the role of traditional corporate citizenship or philanthropy. In 2002, Kaiser Permanente invested $485 million in Community Benefit activities across the country. This represents an increase of approximately $142 million over last year. Our investment is focused on serving the health care needs of vulnerable populations, developing and
Success depends on our ability to continually improve in everything we do. And that depends on the people of Kaiser Permanente. Our Labor Management Partnership (LMP) representing 80,000 union members—nurses, technicians, psychologists, clerical workers, food service staff, and many others—is putting leadership and decision making where it belongs: in the hands of the people who deliver care and understand our members. Here is how it’s working.

In one facility, union members and managers streamlined emergency room operations, reducing the number of patients diverted to outside hospitals by 64 percent. At a pharmacy, managers and union members improved employee safety and reconfigured staff to accelerate service while raising patient satisfaction scores.

At an appointment center, turnover was reduced by 85 percent, morale rose more than 100 percent, telephone service dramatically improved, and productivity went up 1.3 percent. An sold-out event drew 400 architects, planners, contractors, and designers.

Improving the health of people, communities and the environment could only go so far without advancing medical understanding through research. Bringing our understanding of health care to life depends on many things, including the shaping of public policy to support the delivery of quality care. We view good public policy as a critical element of a well-functioning health care system. In 2002, Kaiser Permanente’s Institute for Health Policy examined a number of health care trends with policy implications, including medical liability reform, medical error reporting for improved patient safety, consumer-directed health plans, and the impact such trends will have on health care quality and affordability.

We recognize that rising health costs are leading to increased cost sharing in health benefits products. However, we believe there should be public policy standards to assure a workable, equitable private health insurance marketplace that benefits the sick as well as the healthy, and to promote competition based on quality and effectiveness, not on the ability to avoid risk. Such standards should address minimum benefits, pricing, underwriting and risk adjustment for all health plans. We have most recently advocated this approach in connection with the debate on universal coverage in California.

As we work in the policy arena to improve health care, we are also responding to the needs of our beneficiaries: improving our quality and efficiency, not on the

Number of Labor Management Partnership participating unions: 30

Putting People First: Our Labor Management Partnership

Peter S. diCicco
Executive Director
Coalition of Kaiser Permanente Unions, AFL-CIO

Sincerely,

Peter S. diCicco
Executive Director
Coalition of Kaiser Permanente Unions, AFL-CIO

We understand such trends will have on health care quality and affordability.

Our activities in support of public policy reflect the diversity of the jurisdictions in which we operate. At the federal level we have supported:

- enactment of a drug benefit in the Medicare program;
- improved funding for Medicare, Medicaid and other public programs;
- the development of a legal environment that promotes a culture of patient safety reporting and improvement; and a clinical technology infrastructure that will enhance quality and effectiveness of care.

Importantly, we support efforts to finance meaningful health benefits coverage for the uninsured and to maintain a viable health care safety net for those who require it.
purchasers for more flexible benefit solutions, and our members’ continued need for access to affordable quality health care. As a result, we are developing products that will continue to deliver our brand of quality health care and service, while offering more coverage choices to purchasers and more flexible benefit and payment options to our members. These products will be available in some of our regions beginning in 2004, and in the remaining regions in 2005.

Most importantly, Kaiser Permanente is leading the way in revolutionizing the health care experience with an important technological tool—the automated medical record. The contribution this technology will make to improving quality, reducing medical errors and enhancing service is staggering. Within the next three years, your Kaiser Permanente doctor will have your medical record and the latest in medical practice and research at his or her fingertips. And in the near future, you will be able to access your own medical information through a secure, confidential connection online, as well as talk with your doctor, order tests and prescriptions, and host of other services. Our announcement in February to implement an automated medical record is already encouraging others to follow with their own systems and standards, including the U.S. Department of Health and Human Services.

Whether it’s developing new technology, promoting health care in our communities—or helping Diana Cruz deliver a happy, healthy baby—we will continue to “find a need and fill it” in every corner of health care. That’s been a part of our heritage from the beginning; it’s a part of who we are today. The people of Kaiser Permanente understand you and your health care needs. For us, that’s not a motto—it’s a way of life.

Sincerely,

George C. Halvorson
Chairman and CEO
Kaiser Foundation Health Plan, Inc.
and Kaiser Foundation Hospitals

Francis J. Crosson, MD
Executive Director
The Permanente Federation

William Kerr, MD, professor of medicine at the University of California School of Medicine, witnessed the early success of the fledgling medical care program and its first hospital in Oakland, California, when he began sending interns to work with Permanente physicians as part of their medical training during World War II.

“For the past few years,” Dr. Kerr said at the end of the war, “I have had the opportunity to observe the development of the Kaiser Foundation Hospital. I am prepared to state that the quality of service to the sick is of very high order. The members of the staff are interested in advances in medical practice and science. Their group contribution to our community is inspiring.”

That work continues today.

The Legacy that is Kaiser Permanente

Ever since World War II, when workers received medical care at Henry J. Kaiser’s steel mill and shipyards in California, Oregon and Washington, delivering quality care has been the goal of physicians, nurses and other caregivers at Kaiser Permanente. “We are striving to prove that high quality medical and hospital services can be rendered to the people at a cost they can afford,” founding physician, Sidney R. Garfield, MD, wrote in 1952, describing the first 10 years of care in the Bay Area.

Henry J. Kaiser (center top) with shipyard workers.

Sidney Garfield, MD, and the launch of a Liberty warship.
When Diana Cruz learned she had type II diabetes at age 23, she believed it was as inevitable as inheriting her mother’s eyes or her father’s laugh. Type I and type II diabetes were prevalent on both sides of her family. Some of her relatives had lost limbs and eyesight to the disease—a tragic but common outcome of untreated diabetes. When Diana suffered a diabetes-related stroke at age 26 that left her partially paralyzed for six months, she became even more depressed. “I felt as though my battle would be lost at an even younger age than others in my family,” she says.

That attitude changed when she joined Kaiser Permanente two years ago.

For the first time, with the help of her physicians and the other members of her health care team, Diana was able to manage her diabetes. As she began her journey to good health, she was able to believe in herself and the power of good choices.

Diana even dared to dream about the possibility of having a baby of her own.

Diana Cruz is not alone. More than 17 million Americans have diabetes, the fifth leading cause of death in the United States. There is no cure, but with the right care and commitment, it can be managed.

Diabetes: an epidemic in the making

Historically, type II diabetes, the most common form of the disease, usually occurs in adults over age 45. But that’s changing in alarming numbers. According to a recent study from the Centers for Disease Control and Prevention, one-third of children born in the United States in 2000 will become diabetic unless many Americans eat less and exercise more.

If their disease is not well controlled, people with diabetes are susceptible to a variety of other devastating health problems, including heart disease, stroke, kidney failure and blindness. Diabetes can take a high toll on individual lives and on health care systems that work to provide quality care that is affordable for patients.

Kaiser Permanente provides diabetic care for more than 500,000 patients, about 9.5 percent of members ages 18 and older. According to a Robert Wood Johnson report, Chronic Care in America: A 21st Century Challenge, 40 percent of Americans will be living with one or more chronic conditions—such as diabetes—by 2010.

“In many ways, diabetes reflects both the challenge and the opportunity confronted by medicine in America today,” says Paul Wallace, MD, executive director of Kaiser Permanente’s Care Management Institute, a program that advances best-practice medicine. “Poorly managed, diabetes extracts a terrible toll on both patients’ lives and the overall cost of health care.

“This need not be so going forward,” he adds. “Kaiser Permanente demonstrates that the combined efforts of patients, clinicians and the health care system can allow people with chronic conditions to live healthy, fulfilling lives.”

Kaiser Permanente members
Diana and Graciano Cruz with adopted son Mateo.

In 2002, an estimated
$152 billion
–$1 out of every $10 in health care—
was spent on
diabetes in the
United States.

American Diabetes Association
Many years before joining Kaiser Permanente, Diana met her husband, Graciano Cruz, in Reno, Nevada. He was a short order cook; she was a cashier. He spoke mostly Spanish. She learned his language. Their bond strengthened, and soon they married. For 13 years they hoped and prayed for children, but Diana wasn’t able to conceive. So they adopted a baby, Mateo, who is now 4. Mateo is her pride. But Diana’s dream of becoming pregnant continued. They spent the money they had saved for a down payment on a house to seek help from infertility specialists. She never got pregnant. Her health continued to deteriorate. Diana went to different clinics to get help. She tried to ignore the fact she had diabetes. Nothing seemed to work.

Kaiser Permanente tackles the care of patients with chronic diseases with proven clinical approaches—and with a compassionate, human touch—using the latest innovations in evidence-based medicine. Kaiser Permanente’s Care Management Institute (CMI), based in Oakland, California, is an entity that supports care delivered throughout Kaiser Permanente by synthesizing the knowledge of best clinical approaches both from within and outside the organization. This evidence-based approach to medicine can then be applied to entire populations with similar medical conditions to dramatically improve health care quality, cost and satisfaction.

“Kaiser Permanente patients like Diana Cruz benefit from the latest evidence-based care guidelines developed by CMI, from advanced tools and resources such as an automated medical record, and from the personal touch of a physician-led health care team.”

“Kaiser Permanente’s Care Management Institute (CMI), based in Oakland, California, is an entity that supports care delivered throughout Kaiser Permanente by synthesizing the knowledge of best clinical approaches both from within and outside the organization. This evidence-based approach to medicine can then be applied to entire populations with similar medical conditions to dramatically improve health care quality, cost and satisfaction. A key aspect of population-based care for conditions like diabetes is to ensure that care, while consistent with the best evidence and supported by the health care system, is also sensitive and adaptable to the needs of individual patients and their work with their individual clinicians, ” Dr. Wallace says.

Kaiser Permanente patients like Diana Cruz benefit from the latest evidence-based care guidelines developed by CMI, from advanced tools and resources such as an automated medical record, and from the personal touch of a physician-led health care team.

Chronic conditions are a special target for CMI’s programs, with five prevalent chronic conditions currently in its sights: diabetes, asthma, heart failure, coronary artery disease and depression. These diseases affect about 15 percent of all Kaiser Permanente members and account for about 30 percent of the organization’s health care costs.

CMI’s groundbreaking work has been acknowledged within and outside Kaiser Permanente. CMI is one of the first organizations in the United States to earn disease management (DM) certification from the National Committee for Quality Assurance (NCQA). The two-year NCQA DM certification was awarded in program design.

For 13 years they hoped and prayed for children.
Mateo listens to the baby's heartbeat.

10

Education
12%

Research
5%

Total: $485 Million

Public Policy
Community
and Other
Benefits

82%

Vulnerable
Population: 23%

At Work in Our Communities

Kaiser Permanente’s unique social mission calls the organization to improve the health of the communities it serves. Today, Kaiser Permanente answers this call through its Community Benefit program, one of the largest health care philanthropic ventures in the nation.

“Works, not words,” is how we think of our Community Benefit program,” says Ray Baxter, senior vice president, Community Benefit. “We are consciously putting our resources and capabilities at the service of our communities in a way that will have real impact on the problems that matter to them.”

In 2002, Kaiser Permanente devoted $485 million for Community Benefit activities. Most of the funding was directed to care for vulnerable populations, either subsidizing their care directly through Kaiser Permanente’s free care and dues subsidy programs and Medicaid, or through grants to community clinics and other safety net providers. Kaiser Permanente also funds community-based health initiatives, develops innovative health education programs, trains thousands of health professionals and conducts research to advance medical knowledge.

Kaiser Permanente caregivers know that different cultures have different health care needs. To that end, the organization’s national Culturally Competent Care program incorporates language, cultural values, beliefs and behaviors into resources that help improve physician-patient interactions.

Rafael Olvera, MD, is one of the lead physicians at Kaiser Permanente’s Clinica de la Familia, part of the Latino Center of Excellence in Denver, Colorado. A native of Chile, Dr. Olvera understands many of the language and cultural barriers faced by patients who come to the center—nearly 90 percent of whom speak little to no English.

“I can see where these people are coming from,” he says. “There is the communication piece and then the cultural piece—understanding how they view family and the impact of family on the management of their diseases tend to be most important.”

Nationally, minorities experience disparities in health care outcomes and quality of care for a variety of diseases, such as diabetes, cancer, cardiovascular disease and asthma. The Healthy People 2010 goals from the U.S. Department of Health and Human Services and the Institute of Medicine’s 2002 report, Un平等 Treatment: Confronting Racial and Ethnic Disparities in Health Care, call for the elimination of racial and ethnic disparities in health care quality.

This is a top priority for Kaiser Permanente, which serves members in states with some of the most diverse populations in the nation. In Southern California, for example, membership is 25 percent Latino and 13 percent African American; Georgia’s membership is 54 percent African American, and Hawaii’s membership is 49 percent Asian American, Pacific Islander and Native Hawaiian. The languages spoken by Kaiser Permanente members in addition to English include Spanish, Mandarin, Cantonese, Vietnamese, Korean, Russian, Punjabi, Arabic, Tagalog and Hindi.

Other Kaiser Permanente Centers of Excellence for Culturally Competent Care focus on specific diversity needs, such as Linguistic Services in San Francisco and Members with Disabilities in Vallejo, California. Future Centers of Excellence will aid Eastern European populations, overweight and obese members, and tackle women’s health issues, among others.

Cultural competence is vital to delivering quality health care, including the treatment of diabetes. Some 10.2 percent of Latino Americans have diabetes, according to the American Diabetes Association. Many Latino patients don’t realize they have the disease until it is advanced.

For that reason, education is crucial. A big challenge for Kaiser Permanente’s Latino Center of Excellence is helping patients understand the impact diabetes has on their families—an integral part of Latino culture. Latino women with diabetes are especially vulnerable.

“One patient says they have no time to take care of themselves because they need to care for their children or husband,” Dr. Olvera says. “I tell them if they don’t take care of their blood sugar—if their body suffers—the family suffers.”

When Diana joined Kaiser Permanente in Denver, she was struggling with her diabetes. Although she had been diagnosed 10 years earlier, she had never received any training in how to manage her disease.

“Part of that is the Hispanic culture of fatalism, whatever happens, happens,” says Brenda Lundtow, RN, a diabetes care manager in Kaiser Permanente’s Colorado Region. “We try to counteract that. Our patients are not victims of fate."

"our patients are not victims of fate"

"Part of that is the Hispanic culture of fatalism, whatever happens, happens," says Brenda Lundtow, RN, a diabetes care manager in Kaiser Permanente’s Colorado Region. “We try to counteract that. Our patients are not victims of fate.”

"Works, not words,” is how we think of our Community Benefit program,” says Ray Baxter, senior vice president, Community Benefit. “We are consciously putting our resources and capabilities at the service of our communities in a way that will have real impact on the problems that matter to them.”

"Part of that is the Hispanic culture of fatalism, whatever happens, happens,” says Brenda Lundtow, RN, a diabetes care manager in Kaiser Permanente’s Colorado Region. “We try to counteract that. Our patients are not victims of fate.”"
Diana was constantly taking antibiotics for a variety of infections. Her HbA1c, a blood sugar screening test, which ideally is less than 7.0, was a dangerously high 11.5.

After joining Kaiser Permanente, Diana’s primary care physician, Michael Mulligan, MD, told her she had to take charge of her health.

“I had no idea everything I had experienced was related to diabetes,” Diana says. “Dr. Mulligan was very clear about what I needed to do.”

Dr. Mulligan gave her medications and other tools to manage her diabetes. He also suggested she attend a Kaiser Permanente diabetes education class. There she met Ladtkow, who became her care manager, her counselor and, in time, her friend.

“Brenda really saved my life,” Diana says. “Diana’s biggest misconception was that she wouldn’t be able to control her blood sugars—if they were high, that was just the way it was, and she would always feel bad.” Ladtkow says, “I did what a lot of care managers do every day—offer her hope.”

leading health care’s digital revolution

When Kaiser Permanente announced in February its plans to create an automated medical record (AMR) system for its 8.4 million members, the move was heralded by health care industry leaders as one that could set a new standard for American medicine.

The organization’s rollout of a next-generation system from Epic Systems Corporation to all physicians and patients nationally will transform the patient experience, according to Louise Liang, MD, senior vice president, Quality and Clinical Systems Support.

“AMR will enable Kaiser Permanente to take health care quality, safety and service to an entirely new level,” Dr. Liang says.

These guidelines are not a substitute for independent clinical decision making, or for patients’ individual needs. But they do give Kaiser Permanente practitioners the opportunity to review best practices and up-to-date research.

CMI supports the implementation of this evidence-based knowledge in a very pragmatic way by creating implementation and measurement teams of physician and non-physician experts in each of Kaiser Permanente’s regions.

CMI’s implementation efforts are supported by advanced communications and information technology tools. Clinicians have access to the Permanente Knowledge Connection, a clinical online library featuring regional Kaiser Permanente information as well as the CMI’s care management programs and guidelines. Physicians also may use the service to review online medical textbooks, research and other publications worldwide for the latest information on medical care, including diabetes.

Leading Health Care’s Digital Revolution

When Kaiser Permanente announced in February its plans to create an automated medical record (AMR) system for its 8.4 million members, the move was heralded by health care industry leaders as one that could set a new standard for American medicine.

The organization’s rollout of a next-generation system from Epic Systems Corporation to all physicians and patients nationally will transform the patient experience, according to Louise Liang, MD, senior vice president, Quality and Clinical Systems Support.

“AMR will enable Kaiser Permanente to take health care quality, safety and service to an entirely new level,” Dr. Liang says.

These guidelines are not a substitute for independent clinical decision making, or for patients’ individual needs. But they do give Kaiser Permanente practitioners the opportunity to review best practices and up-to-date research.

CMI supports the implementation of this evidence-based knowledge in a very pragmatic way by creating implementation and measurement teams of physician and non-physician experts in each of Kaiser Permanente’s regions.

CMI’s implementation efforts are supported by advanced communications and information technology tools. Clinicians have access to the Permanente Knowledge Connection, a clinical online library featuring regional Kaiser Permanente information as well as the CMI’s care management programs and guidelines. Physicians also may use the service to review online medical textbooks, research and other publications worldwide for the latest information on medical care, including diabetes.
In examining her, Ladtkow realized Diana had the classic symptoms of polycystic ovarian syndrome, resulting in a failure to ovulate. She recommended medication to help Diana control her blood sugar and increase her chances of ovulation.

Ladtkow informed Diana the medicine might boost her chances to become pregnant. Diana, who had endured years of infertility, was doubtful.

But in October 2002, Diana’s dream took a big step forward when she learned she was pregnant. For Diana, the pregnancy was a miracle. And it gave her further incentive to get her blood sugars under control and stay healthy.

For the Kaiser Permanente health care team treating Diana, it spoke to the power of education and good choices.

“We empower people to manage their diabetes and live a healthy life,” Ladtkow says. “Just because you have diabetes doesn’t mean you’re not healthy. We gave Diana the tools she needed. The choice to be successful.”

For many Kaiser Permanente patients with diabetes across the country, their care management team is their lifelong to good health.

In Kaiser Permanente’s Northwest Region, a multidisciplinary team of health care professionals collaborates to provide the best care possible for diabetes patients. This Diabetes Steering Committee includes an endocrinologist, internal and family practice physicians, a nurse, health educator, dietitian, pharmacist and researcher. The team has met regularly for more than 10 years to share information and come up with innovative solutions in caring for 28,000 diabetes patients in the Northwest Region.

“Our patients are pleased and grateful we pay close attention and encourage them to be healthy,” says Kati Traunweiser, the Northwest Region’s manager for population-based care.

The lessons learned from the way the Northwest Region cares for its members with diabetes is shared with other Kaiser Permanente regions through the Care Management Institute. In the same way, the Northwest Region is able to learn about and implement best practices from others within Kaiser Permanente.

The care team approach also helped Diana. Cruz stay healthy and keep her diabetes under control during her pregnancy. Her physicians, diabetes nurse care manager, Ob/Gyn physician, and the perinatology team all contributed to her success.

The fact the team was readily available to address Diana’s questions and concerns made it especially satisfying for her. Says Michael Mulligan, MD, Diana’s family practice physician, “We provided Diana a dedicated team with the tools they needed at their fingertips.”

In 2002, researchers revealed health risks associated with hormone replacement therapy, volunteers enrolled in a study to test the effectiveness of two versions of the smallpox vaccine, and a new vaccine proved promising against an infection common to dialysis patients. And it wasn’t the only time the Kaiser Permanente researchers also collaborated with more than 40 prominent academic research institutions, including Harvard University and Johns Hopkins University, as well as federal agencies such as the National Institutes of Health and the Agency for Healthcare Research and Quality.

“The intellectual caliber of our clinicians, a large defined population of members and our remarkable data resources enable our researchers to make key scientific contributions,” says Joe Selby, MD, MPH, director of Kaiser Permanente’s Northern California Division of Research and chair of the Kaiser Permanente National Research Council. “That’s why today our organization is considered one of the most important centers of health care research in the country.”

The pregnancy was a miracle for Diana, who had endured years of infertility.
Graciano Cruz stands in the alcove of their kitchen, chopping a head of lettuce and tomatoes for lunch. After a lifetime of meat, beans, rice and tortillas, Diana is introducing more fruits and vegetables into her family’s diet. Her husband is borderline diabetic; both his parents died of complications of the disease.

“I’m going to do a whole different lifestyle for this baby,” she says. “I don’t want him to deal with obesity or diabetes. This little guy definitely has a chance for a whole different life.”

Diana checks her blood sugar level as Graciano prepares lunch.

How successful is Kaiser Permanente at promoting prevention and healthy lifestyles?

Data tracked by the Care Management Institute (CMI) show that Kaiser Permanente is making significant strides in the prevention and management of many chronic conditions, including diabetes.

From 1997 to 2001 (the latest year data is available), Kaiser Permanente members with diabetes have improved their good cholesterol control for LDL-C (the “bad” cholesterol that contributes to the hardening of the arteries) by an impressive 100 percent. Paying attention to factors like cholesterol is very important for people with diabetes, who have a two- to four-times increased risk for heart attack and stroke.

Kaiser Permanente providers also are innovating ways to make prevention easier and more effective. Jim Dudl, MD, of Kaiser Permanente’s Southern California Region, has developed a new non-fasting lipid test that has become a best practice nationwide. Now, diabetic patients no longer have to fast before a blood test—a major barrier for diabetics.

“We ask so much of patients. To make the test available whenever they are able to come in is the least we can do to meet their needs,” says Dr. Dudl, an endocrinologist in Kaiser Permanente’s Southern California Region. “The availability of a non-fasting LDL cholesterol test allowed us to take that extra step for them.”

So what do these kinds of improvements mean to Kaiser Permanente members?

If these 100,000 members with an improved level of cholesterol control sustain those gains for five or more years, they will experience 4,300 fewer heart attacks or strokes.

Annual testing for the control of blood sugar in members with diabetes has improved by 5 percent between 1997 and 2001, meaning an additional 10,000 members are being monitored annually.

Good control of blood sugar has increased steadily since 1996. In 2001, approximately 51 percent of Kaiser Permanente’s members with diabetes had achieved a good level of control (defined as an HgbA1c<8 percent). This translates into an additional 36,000 members who can expect further reductions in their risks for diabetic complications.

Kaiser Permanente also is looking beyond traditional prevention measures to include quality of life and satisfaction with care. For example, lessons from CMI’s Weight Management and Obesity Initiative are being incorporated into the diabetes care program. Kaiser Permanente’s Garfield Fund is funding research into the efficacy of weight management and obesity interventions.

prevention programs are key

Diana is introducing more fruits and vegetables into her family’s diet.
In a career that spans more than three decades, it’s not unusual for David Eddy, MD, PhD, an internationally recognized authority on evidence-based medicine, to see ideas first captured in his imagination applied to solve real-world problems.

Case in point: Archimedes, a powerful computer simulation model named for the Greek mathematician and inventor. Archimedes creates a “virtual world” of patients and clinicians for real clinicians to study. The model includes all the details—such as patient behaviors, risk factors and conditions—necessary for clinicians to develop best practices for treating a variety of diseases.

Dr. Eddy and a colleague, Len Schlessinger, PhD, began developing Archimedes in the early 1990s with support from Kaiser Permanente’s Southern California Region. Kaiser Permanente’s Care Management Institute (CMI) then took the project to a national level. CMI uses the tool to make its population care management programs better and more effective for Kaiser Permanente members.

The American Diabetes Association (ADA) has teamed up with Kaiser Permanente to use Archimedes to help analyze and design strategies for diabetes prevention and screening. In 2004, the ADA will launch a search engine on its Web site that will enable diabetes patients and their physicians to input specific information about their condition and get estimates of the outcomes they can expect with various prevention, testing and treatment options.

Clinicians can use the model to address the problems of a specific patient, or use it to develop the most effective testing and treatment strategies for hundreds of thousands of patients with complicated medical problems.

Caring for patients with chronic diseases “is so complex and desperately needs tools to address the complexity,” Dr. Eddy says. “Archimedes addresses those complex problems in a practical way.”

Archimedes’ value as a tool to fight the fifth leading cause of death in the United States has only begun to be tapped, says Richard Kahn, PhD, chief scientific and medical officer of the American Diabetes Association.

“For example, we can use this model to determine the relative impact of lowering blood glucose, lipid or blood pressure values or for illustrating to patients how they can reduce their risk of serious complications by achieving their goals of therapy,” Dr. Kahn says. “The partnership between the ADA and Kaiser Permanente is a valuable step forward in diabetes research and clinical care.”

Dr. Eddy and a colleague, Len Schlessinger, PhD, began developing Archimedes in the early 1990s with support from Kaiser Permanente’s Southern California Region. Kaiser Permanente’s Care Management Institute (CMI) then took the project to a national level. CMI uses the tool to make its population care management programs better and more effective for Kaiser Permanente members.

The American Diabetes Association (ADA) has teamed up with Kaiser Permanente to use Archimedes to help analyze and design strategies for diabetes prevention and screening. In 2004, the ADA will launch a search engine on its Web site that will enable diabetes patients and their physicians to input specific information about their condition and get estimates of the outcomes they can expect with various prevention, testing and treatment options.

Clinicians can use the model to address the problems of a specific patient, or use it to develop the most effective testing and treatment strategies for hundreds of thousands of patients with complicated medical problems.

Caring for patients with chronic diseases “is so complex and desperately needs tools to address the complexity,” Dr. Eddy says. “Archimedes addresses those complex problems in a practical way.”

Archimedes’ value as a tool to fight the fifth leading cause of death in the United States has only begun to be tapped, says Richard Kahn, PhD, chief scientific and medical officer of the American Diabetes Association.

“For example, we can use this model to determine the relative impact of lowering blood glucose, lipid or blood pressure values or for illustrating to patients how they can reduce their risk of serious complications by achieving their goals of therapy,” Dr. Kahn says. “The partnership between the ADA and Kaiser Permanente is a valuable step forward in diabetes research and clinical care.”
In its report *Crossing the Quality Chasm*, the Institute of Medicine (IOM) calls for a higher quality, safer and more integrated health care delivery system, one in which “Clinicians and institutions collaborate and communicate to ensure an appropriate exchange of information and coordination of care.”

Prepaid group practices are an excellent example of the type of “integrated delivery systems” called for by the IOM. By integrating the financing and delivery of care (in effect eliminating the third-party payer), prepaid group practice achieves greater accountability for the quality and cost of care in a system in which physicians actually manage care and resource use. In prepaid group practice, physicians work to maximize the health of the populations they serve, within the resources their members are able and willing to provide. If encouraged and allowed to compete on a level playing field with the mainstream model, prepaid group practice can make a major contribution to solving the problems of quality and cost that plague American health care.

As I said during an interview on a national radio program this past March, very few health care organizations truly deliver what is often called “managed care.” Managed care in the end has become so loose a term that it describes nothing. What health care experts had meant by managed care is that you chose a health care organization that would provide an integrated delivery system to you. Your health care organization would own hospitals or contract with hospitals and physicians in a way that coordinated your care. Your primary care physician would essentially be your consultant and ombudsman and would arrange for all your care needs, from tests to specialists to hospital visits. All of this would be supported by integrated patient medical records, so that everyone who treats you could get appropriate, timely access to your medical information. The classic case is Kaiser Permanente, created during World War II, to deliver efficient health care. That is still the model.

Many so-called managed care organizations are really just bill-paying organizations, trying to control health care costs through provider contracts and procedure pre-authorizations. This is what gave managed care a bad name and upset providers and patients alike. In a good managed care company, ideally the provider system should have the incentive—and the risk—to search for the best way, the integrated way, to treat a patient. And I believe Kaiser Permanente does that. I think very highly of Kaiser Permanente.
Selected HEDIS 2002 Quality Results

- Comprehensive Diabetes Treatment Monitoring for Nephropathy
- Chlamydia Screening in Women Ages 16–20 and 21–26
- Childhood Immunization Combination 2
- Cholesterol Management after Acute Cardiovascular Events LDL-C Level
- Comprehensive Diabetes Treatment Eye Exam

Source: NCQA Quality Compass

By the numbers

Operating Revenue

Net Income

Million

Million

2000 2001 2002

2000 2001 2002

Selected Kaiser Permanente Regions

- Northern California Region
- Southern California Region
- Colorado Region
- Georgia Region
- Ohio Region
- Mid-Atlantic States Region
- Hawaii Region

Total Membership:

- 2000: 8.1
- 2001: 8.3
- 2002: 8.4

Operating Revenue:

Net Income:

- 2000: $200
- 2001: $100
- 2002: $0

Source: NCQA Quality Compass

To the Top 20% of all health plans

Top 10% of all health plans

Kaiser Permanente

regions

Hospitals: 30

Medical Office Buildings: 451
Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals

George C. Halvorson
Chairman & CEO
Kaiser Foundation Health Plan, Inc. & Kaiser Foundation Hospitals

Henry M. Kaiser
Managing Director
Quinova Venture Partners

Dorothy H. Mann, PhD, MPH
Health Care Administrative Officer

Thomas W. Chapman, EdD
President & CEO
The HSC Foundation

J. Neal Purcell, Retired Vice Chairman
Chief National Audit Practice Operations
KPMG International

Barbara D. Blum
President
BDB Investment Partnership

Dorothy H. Mann, PhD, MPH
Consultant
Health Care Administration & Policy

Barbara D. Blum
President
BDB Investment Partnership

J. Neal Purcell, Retired Vice Chairman
Chief National Audit Practice Operations
KPMG International

Mary E. Reres, EdD
Director
Human Resources

Barbara D. Blum
President
BDB Investment Partnership

David R. Andrews, JD
Senior Vice President
Government Affairs
General Counsel & Secretary
PepsiCo, Inc.

Barbara D. Blum
President
BDB Investment Partnership

Dean O. Morton
Former Executive Vice President, COO, & Director
Quivira Venture Partners

Barbara D. Blum
President
BDB Investment Partnership

Mary E. Reres, EdD
Director
Human Resources

Barbara D. Blum
President
BDB Investment Partnership

David R. Andrews, JD
Senior Vice President
Government Affairs
General Counsel & Secretary
PepsiCo, Inc.

Barbara D. Blum
President
BDB Investment Partnership

Dean O. Morton
Former Executive Vice President, COO, & Director
Quivira Venture Partners

Barbara D. Blum
President
BDB Investment Partnership

Mary E. Reres, EdD
Director
Human Resources

Barbara D. Blum
President
BDB Investment Partnership

David R. Andrews, JD
Senior Vice President
Government Affairs
General Counsel & Secretary
PepsiCo, Inc.

Barbara D. Blum
President
BDB Investment Partnership

Dean O. Morton
Former Executive Vice President, COO, & Director
Quivira Venture Partners

Barbara D. Blum
President
BDB Investment Partnership

Mary E. Reres, EdD
Director
Human Resources

Barbara D. Blum
President
BDB Investment Partnership

David R. Andrews, JD
Senior Vice President
Government Affairs
General Counsel & Secretary
PepsiCo, Inc.

Barbara D. Blum
President
BDB Investment Partnership

Dean O. Morton
Former Executive Vice President, COO, & Director
Quivira Venture Partners

Barbara D. Blum
President
BDB Investment Partnership
For additional copies of the 2002–2003 report, please visit Kaiser Permanente on the web at:

www.kp.org/annualreport
Credits
This report was produced in-house by Public Affairs and Communications, Program Offices, in collaboration with Multimedia Communications, Northern California.
“A Baby for Diana Cruz” and Kaiser Permanente features by Kathleen Bohland.
Photography for “A Baby for Diana Cruz” by Ron Cappock King.
Photograph of George C. Halvorson and J. Francis Crosson by Jennifer Leigh Sauer.
Special thanks to Diana Cruz and her family.

Sources
Unless otherwise noted, all data from Kaiser Permanente sources or the National Committee for Quality Assurance (NCQA) Quality Compass (HEDIS 2002 quality results).