America’s Leading Total Health Solution

2003 Annual Report
THE BREAST CANCER RESEARCH STAMP was conceived of by Kaiser Permanente physician Ernie Bodai, MD.

Kaiser Permanente is proud to support breast cancer research by offering you a chance to use the Breast Cancer Research “semi-postal” stamp. Proceeds from the stamp aid in the fight against this disease.

The price of a semi-postal pays for the first-class, single-piece postage rate in effect at the time of purchase. An additional amount above that cost is earmarked for a philanthropic cause identified by the U.S. Postal Service. By law, 70 percent of the net amount raised by the Breast Cancer Research Stamp is given to the National Institutes of Health and 30 percent to the Medical Research Program at the Department of Defense.
AT KAISER PERMANENTE, we defined the original version of a health maintenance organization, with an emphasis on preventive care and achieving better health, not just treating illness. While we have clearly earned a reputation for clinical excellence and first-rate treatment, our goal of providing education, preventative medicine, and wellness resources, all to improve the total health of our members and communities, sets us apart from other organizations.

This report for 2003 offers snapshots of how we go beyond traditional “sick care,” acting as a health advocate for our members, employees, and physicians, and how we invest in our communities beyond traditional corporate philanthropy.

Inside, you will discover the story of Kaiser Permanente member Susan Gregory, a breast cancer survivor whose struggle underscores our focus on the quality and integration of care. Her moving story shows how education, early detection, skilled clinical attention, and compassionate care give us hope and enable our members to live healthier lives.

According to the American Cancer Society, an estimated 215,990 new cases of invasive breast cancer are expected to occur in the United States this year. Our screening guidelines and leading-edge approach to mammography are critical to our approach to the prevention and early detection of this illness. We understand that successful care demands compassionate caregivers like Susan’s surgeon, Ernie Bodai, MD. His crusade against breast cancer is far-reaching and aids the search for a cure through his creation of the Breast Cancer Research Stamp.

Our long-standing efforts to improve quality of care go beyond Susan’s story. In 2003, we were widely recognized by quality rating organizations and publications, including the nation’s top consumer magazine. It placed five Kaiser Permanente plans among the top 15 in the nation, and awarded the number one position to the Northwest Region. The National Committee for Quality Assurance State of Health Care Quality Report ranked six Kaiser Permanente plans among the top for their regions.
For years, Kaiser Permanente has devoted resources to improve the health of the communities we serve. In 2003, Kaiser Permanente invested $641 million in Community Benefit programs to address health-related needs including the uninsured, research, education, and children’s health. In addition, our eight research facilities spent $101 million on research activities. By deliberately investing in projects that directly address community health needs, we continue to improve our ability to provide quality, affordable healthcare.

We have also been proactive in our approach to workforce issues. Through our Labor Management Partnership, we have put leadership and more decision-making where it belongs: in the hands of the people who deliver care and know our members best. Union members, physicians, and managers work together using partnership tools that encourage open problem-solving, shared leadership and decision-making, and a safe and healthy workplace.

In 2003, we continued to make measurable progress in reengineering health care. The key elements of a new suite of health care tools, Kaiser Permanente HealthConnect™ (KP HealthConnect™), successfully debuted in Georgia. When this tool is fully deployed, our investment of more than $3 billion will help deliver a 21st century array of health care services. By providing quicker access to information and up-to-date medical records, we expect benefits such as measurable clinical results, improved cost controls, and more consistent care.

In keeping with our mission to more broadly define and expand care, we embarked on a more visible public policy program, which has already had a major impact on Medicare. In 2003, we led a coalition of major employer, consumer, provider, and health plan organizations, ultimately convincing Congress to demand more comparative research on the effectiveness of clinical drugs.

Lastly, Kaiser Permanente had a positive year financially. We remain on track to deliver additional benefit plans that are relevant to customers in this time of continued economic uncertainty. Our new products will provide greater access to many who otherwise might not be able to afford basic health coverage. These new flexible plan offerings, which have already done well in trials in Georgia and Colorado, will be fully rolled out during 2004. Our strong financial position at the end of 2003, as well as our plans for 2004 and beyond, gives us renewed confidence that we are on the right path despite the rocky ground ahead. Most importantly, this means that our members like Susan Gregory can look forward to getting our best efforts in the future as well.

Sincerely,

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

Francis J. Crosson, MD
Executive Director
The Permanente Federation

An extension of our social mission is a focus on diversity of care and closing the gap in disparity of care among target populations.
SUSAN GREGORY is a wife, a daughter, and the mother of two teenage children, and has always been surrounded by family. She also speaks of her “church family,” the congregation of the Sonrise Baptist Church in Auburn, CA, where her husband, Tim, is a pastor.

Yet she never expected that she would consider the staff at Kaiser Permanente’s Sacramento Medical Center to be part of her family, too.
In late 2002, the unthinkable happened to 48-year-old Susan when she found a lump in her breast. Although she had been having annual mammograms for the past several years, the mass was not yet visible, and was discovered during a clinical examination by Ob/Gyn Gerald Upcraft, MD. Susan was referred to Ernie Bodai, MD, director of Breast Surgical Services, for further testing. On January 21, 2003, Dr. Bodai called Susan and Tim with the results: Susan had Stage II breast cancer.

“I was shocked,” Susan says. “I didn’t think I was at risk.”

A diagnosis of cancer raises many questions, from treatment options to the emotional implications for a patient’s loved ones. Dr. Bodai set up an appointment to meet with Susan the next day. “Bring your family,” he told her.

COMPASSIONATE AND COORDINATED CARE

Kaiser Permanente strives to make breast care convenient and integrated, so that members with breast health concerns can quickly get the services they need. At the Sacramento Breast Health Center, members receive

“I was shocked. I didn’t think I was at risk.”

Susan Gregory and her daughter, Libby.
coordinated care in a single setting, with services that include diagnostic imaging, counseling, physical therapy, and support groups.

Dr. Bodai initially spent two and a half hours with Susan and her family, discussing her diagnosis and her choices for treatment. He addressed all their questions and concerns, and “was very straightforward,” Susan recalls. “But there was a tremendous amount of compassion in his voice, and he really seemed to care how this was going to be resolved.”

Susan’s husband Tim agrees. “I can’t imagine what I would do if something happened to Susan,” he says. “Dr. Bodai and his team were so thorough in helping us to understand what we were facing at every step.”

Dr. Bodai (second from left) confers with staff at the Kaiser Permanente Sacramento Breast Health Center.

“QUALITY MEDICINE WITH A PERSONAL TOUCH

Dr. Bodai is no stranger to the plight of breast cancer. Besides treating more than 4,000 breast cancer patients in his career at Kaiser Permanente, he has also led one of the most unique fundraising efforts in the fight against the disease, creating the Breast Cancer Research Stamp.

“At Kaiser Permanente, we know caregivers must remember that patients have lives outside of our office,” says Dr. Bodai, who feels that the time he spends consulting with patients is just as critical as the treatment itself. “Cancer affects the whole family, their work, and their daily routine, so all of these factors have to be taken into consideration. Our coordinated care allows us to act as a cancer resource and advocate, providing access to all of the services patients may need as a result of their diagnosis.”

Therese Nakata, a patient care coordinator, provided Susan with additional breast cancer information, including literature and online resources that explained the disease and treatment, as well as referrals to counseling and other support services.

Armed with information, Susan quickly decided on a mastectomy and chemotherapy, and was booked for surgery within days. The surgery team kept Susan informed, explaining the details of the operation and what to expect. “I really had the sense that I was not alone in this,” Susan says of her team. “I feel that I could not have received better care.”

When it became medically necessary months later, a second mastectomy and reconstruction, as well as prophylactic surgery were scheduled on the same day,
to minimize the time Susan would spend in the hospital. Susan was also grateful to have the same surgery team. “They remembered me, and were so comforting.”

**A PARTNER IN HEALTH**

After surgery, Susan endured six months of intensive chemotherapy, which further weakened her physically and took an emotional toll. Her faith and positive outlook helped her through, and she praises the Kaiser Permanente staff for their expertise and understanding. “’Family’ is the word that kept coming to mind,” she says. “I was never rushed through appointments. They were so attentive, not just to my physical needs, but to my emotional and mental state as well.”

Now in remission, Susan still meets regularly with her oncologist and is taking a proactive approach to her health. “I am much more intentional about nutrition,” she says. “And I’m walking, which I didn’t do before.” In addition, she is savoring every moment with her family, experiencing a new sense of appreciation for the time they spend together.

“Early detection is still the most effective weapon we have against breast cancer,” says Dr. Bodai. Kaiser Permanente stresses the importance of breast cancer screening and offers genetic counseling to women who are at high risk for the disease. “We’ll be watching Susan’s daughter Libby closely as a result of her mother’s diagnosis, and hope that she can benefit from further research into the cause of and a cure for breast cancer.”

**FAMILY TIES**

Susan has begun to give lectures on the disease, and is able to rely on her Kaiser Permanente family for assistance. “I called Therese before one retreat, and she was so helpful, sending literature for me to share. Kaiser Permanente is still a resource for me as I am trying to help other people.”

**DID YOU KNOW?**

Georgia residents can purchase a license plate that incorporates the design of Dr. Bodai’s Breast Cancer Research Stamp, with proceeds raising funds for breast cancer research and treatment.
NEARLY A DECADE AGO, Ernie Bodai, MD, director of Breast Surgical Services at Kaiser Permanente’s Sacramento, CA, Medical Center, was busy addressing holiday cards. In a burst of inspiration, he came up with a novel idea to raise money for breast cancer research. Why not create a special first-class stamp with a few extra cents on its face value, and designate the additional money to the search for a cure to this widespread and dreaded disease?

The idea, Dr. Bodai says, “came out of the frustration of dealing with so many women who had breast cancer and seeing that we had made so few advances.” In his 20 years with Kaiser Permanente, he has treated more than 4,000 breast cancer patients like Susan Gregory.

In 1996, Dr. Bodai began a one-man crusade to bring this fundraising stamp to market. Overcoming an initially lukewarm response to his proposal and investing his own time and money, he tirelessly lobbied key members of Congress and the U.S. Postal Service for the next two years. His efforts finally paid off, and the first-ever “semi-postal” fundraising stamp made its debut in 1998.

Currently, this stamp has a face value of 45 cents, with eight cents of the proceeds going to fight breast cancer. More than 560 million stamps have been sold,

The National Cancer Institute has funded 86 breast cancer research awards and the Department of Defense has funded 19 projects from the breast cancer stamp revenue.

–U.S. General Accounting Office, April 2003

raising more than $45 million for research. Plans for an international stamp are underway.

“The Breast Cancer Research Stamp recently surpassed the Elvis Presley Stamp to become the all-time best seller for the U.S. Postal Service,” says Dr. Bodai. “It’s incredibly gratifying to see the stamp, and the projects that have grown out of it help people who are battling cancer.”
All of this has not slowed Dr. Bodai’s office schedule or deterred him from pursuing other projects, including co-authoring a book on breast cancer. Recently, a PBS special based on the book and sponsored by Kaiser Permanente won an Emmy Award.

After his own 2000 diagnosis of prostate cancer, Dr. Bodai became an advocate for that disease as well. Currently, he is working on a semi-postal stamp to benefit prostate cancer research and is delivering a new message nationwide: “Screen Together – Live Together.” The idea is simple. When a woman goes in for her annual mammogram, she is strongly encouraged to bring a male friend or partner along for a prostate specific antigen (PSA) test. Both tests are effective screening methods for the early detection of breast and prostate cancer and can save lives.

“Dr. Bodai’s passion and determination has helped generate more than $40 million towards the fight against breast cancer, and heightened awareness of the disease nationwide. Hundreds of thousands of Americans are affected by breast cancer each year and are touched by the commitment that Dr. Bodai and organizations like Kaiser Permanente have made to the prevention, treatment, and eradication of this disease. I am proud to have been a part of the Breast Cancer Research Stamp, and continue to support the search for a cure.”

U.S. Senator Dianne Feinstein, one of the original cosponsors of the bill that created the Breast Cancer Research Stamp.
WHEN PRESIDENT George W. Bush called for every American to have an electronic medical record within the next 10 years, Kaiser Permanente was already well under way in the process of implementing KP HealthConnect™, arguably the largest civilian system of electronic health records in the United States. This sophisticated administrative and clinical information management system will provide 8 million Kaiser Permanente members with electronic medical records, and will link those records to associated appointment scheduling, registration, and billing capability.

Utilizing state-of-the-art medical information technology has long been a part of Kaiser Permanente’s approach to health care. More than 40 years ago, Morris Collen, MD, the director of Kaiser Permanente’s first medical research center, joined a U.S. government project using then-current punch-card technology. As a result, Kaiser Permanente patients were among the first to see internists armed with computer print-outs of pertinent medical data. Today, Kaiser Permanente continues to build upon that legacy, leveraging technology to deliver quality health care, improve patient safety, lower health care costs, and expand important research opportunities.

KP HealthConnect is more than just an electronic medical record system. It will give Kaiser Permanente health care professionals quicker access to up-to-date medical records, including test or lab results, prescriptions, allergies, past appointments, and more, regardless of time or location.

Health care teams will have access to decision-support tools and best medical practices built into the system, to help streamline patient care processes and improve health outcomes. Through the Kaiser Permanente website, kaiserpermanente.org, new online capabilities will give members the ability to take charge of their own health. At home or on the road, they’ll be able to log on to a secure web site and check on lab results, email
physicians, nurses, and pharmacists, see upcoming appointments, and refill prescriptions. Clinical research will also be greatly enhanced, as fast and accurate access to comprehensive data for larger populations becomes available.

In 2003, Kaiser Permanente invested $265 million in capital and operating expenses in this effort. Already, parts of the tools have been successfully launched in the Georgia, Hawaii, and Ohio Regions.

There are numerous benefits to Kaiser Permanente members, in terms of quality, convenience, service, personalized care, costs, and better science. Kaiser Permanente is proud to be leading the industry in using medical information technology to improve patient care and enable members to take control of their own health.

"The use of information technology to improve the quality and efficiency of health care services is a major priority for HHS Secretary Tommy G. Thompson. This new initiative is a wonderful example of how the power of information technology can be harnessed to make the kind of achievable improvements in health care quality that the American people want and deserve."

– Carolyn Clancy, MD, acting director of the Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services
Kaiser Permanente's Division of Research announced in October 2003 it will study environmental and behavioral factors that may influence breast cancer growth. “What we hope to learn,” says co-investigator Barbara Sternfeld, PhD, “is which factors, exactly, might be causing an increased risk of breast cancer, and what the mechanism is that makes that happen. Ultimately, we'd like to give women the knowledge to decrease their own risk of ever having breast cancer, as well as their daughters’ risk.” Kaiser Permanente researchers collaborate with more than 40 prominent academic research institutions and federal agencies. Publication of Kaiser Permanente investigators' work has appeared in the *Journal of the American Medical Association*, the *New England Journal of Medicine*, *Pediatrics*, the *American Journal of Preventive Medicine*, and other peer-reviewed medical journals.

**DID YOU KNOW?**
The Mammography Improvement Initiative in Kaiser Permanente’s Colorado Region has enhanced levels of detection in early stage breast cancer.
Defining Standards of Care

Even as Kaiser Permanente celebrates the success of members like Susan Gregory, some important questions remain: how should health plans ideally deliver cancer care to their patients? How should optimal care be measured to ensure continuous improvement? At Kaiser Permanente’s Care Management Institute (KP-CMI), caring for members has many dimensions, ranging from the pursuit of evidence-based, advanced technologies and best practices to offering the time and skills to provide the best support for patients and their families. In cooperation with clinicians throughout Kaiser Permanente, KP-CMI strives to:

- Synthesize and distribute knowledge that makes it easier for clinicians and patients to make informed decisions;
- Analyze how leading-edge performance is being achieved, then deliver this information to clinicians as quickly as possible; and
- Support the delivery of evidence-based care in a systematic way that leverages economies of scale.

KP-CMI’s leadership in the field of disease management was recognized in 2003, when the Disease Management Association of America honored the organization with the American Healthways Health Plan Disease Management Leadership Award. It recognizes a health plan that has demonstrated leadership and innovation in the field, in a way that has significantly helped to shape the industry.

“As we work together to pursue health, we are helping to achieve the vision articulated by the Institute of Medicine’s ‘Crossing the Quality Chasm’ report,” says Paul Wallace, MD, KP-CMI’s executive director and an oncologist. “KP-CMI’s work in synthesizing cutting-edge medical knowledge, embedding that knowledge into systems such as KP HealthConnect™, and transferring it to clinicians who can use it to better the health of individuals and whole populations, is helping Kaiser Permanente bridge the quality chasm.”
FOR NEARLY 60 YEARS, Kaiser Permanente’s focus on clinical care and total health has allowed it to remain steadfast in its mission – providing affordable, quality health care services and improving the health of its members and the communities it serves.

“We are keenly conscious that people cannot be healthy if they live in unhealthy environments,” says Raymond J. Baxter, PhD, senior vice president for Kaiser Permanente’s Community Benefit program. “Kaiser Permanente provides direct care and coverage for the uninsured, vital public health programs for vulnerable populations, and education and information to empower consumers. We draw on our tremendous base of medical expertise and research to train future health professionals and to inform public policy. In addition, we have supported the health and well-being of our communities through our environmental stewardship programs for more than four decades.”

In 2003, Kaiser Permanente expanded its Community Benefit program budget to $641 million in services and funding. This program includes partnerships with community and safety-net organizations, such as community clinics, health departments, and public hospitals, and provides direct coverage to low-income families. Kaiser Permanente also trains health care professionals, delivers funding, education, resources, technical assistance, research, and major employee involvement to help communities meet today’s health care challenges.
High school students participate in a program at Kaiser Permanente’s Cleveland Medical Center that introduces them to careers in health care.

Total 2003 Community Benefit Spending: $641 Million
KAISER PERMANENTE is committed to expertise in health care for its members, along with a safe and healthy workplace for its employees. To back these commitments, an important step has been taken to ensure positive interaction between Kaiser Permanente management and the more than 85,000 employees represented by unions. Through Labor Management Partnership (LMP), which represents union members, management, and physician leaders, all parties work together to significantly improve relationships. This partnership puts more leadership into the hands of the people who deliver care, who understand members best, and who are better able to create safe work environments. By working in partnership, employees thrive – and so do members.
Here are just a few examples of how this partnership is succeeding:

- Lift teams, which use specially trained personnel and equipment to safely lift and move patients and reduce workplace injuries, are an important tool in LMP’s Workplace Safety Program and have been successful at Kaiser Permanente medical centers in California. Teams averaged a 46 percent reduction in lifting injuries for those medical centers with lift teams. Since their first month of service in December 2002, the San Diego Medical Center’s lift teams have nearly doubled their average number of lifts to almost 30 per day.

- By streamlining operations, the Colorado Region’s claims and referrals service cut the time it took to pay claims from 30 days down to just 10. This initiative has made the department a better place to work while significantly improving customer service, and is saving Kaiser Permanente an estimated $4 million in expenses—all in one year.

- At a Kaiser Permanente laboratory in Maryland, employees completely turned their department around using LMP tools. A system was created to monitor patient wait time and restructure employee schedules to match peak times of customer demand. This reduced patient wait time, greatly improving patient satisfaction.

These excellent results are just the beginning. Kaiser Permanente has made great strides and created many “firsts” for the entire health care industry. Together, as labor and management grow stronger in partnership, both will achieve even greater success.
Kaiser Permanente by the Numbers

2003 Operating Revenue $25.3 billion
2003 Net Income $998 million
Employees 136,500
Physicians 11,725
Members 8.2 million
KP Hospitals 30
KP Medical Centers 437
Doctor Office Visits 34.6 million
Babies Delivered 85,055
Prescriptions Filled 113.2 million
Surgeries (inpatient and outpatient) 452,122
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Sources
Unless otherwise noted, all data is from Kaiser Permanente sources or the National Committee for Quality Assurance (NCQA) Quality Compass (HEDIS 2003 Quality Results).

Copies
For additional copies of the 2003 report, please visit Kaiser Permanente on the web at: kaiserpermanente.org/annualreport
Dr. Bodai (right) and breast cancer survivors (from left): Lynn Lear, Brenda Matthews, Jean Chew, Joanne Glaser, and Becky Richards.