Rewriting the RECIPE FOR HEALTH
There has always been **MORE TO HEALTH** than not being sick

That simple fact has been the foundation of our practice since 1946. And in 2006, we did even more to help our members, the communities we serve, and millions of people nationwide understand the importance of health.

We look at every ingredient of life in a profoundly optimistic way — from the food you eat to the air you breathe, from the legacy of your grandparents to the fun that your children bring you. And, we are always looking for ways to kick the whole idea of health up a notch. Call us fanatics, if you like. Because we believe that, in almost every way, tomorrow can be better than today. And, we are proud to see our members proving that our optimism is well founded.
Kaiser Permanente’s founding principles of partnership, integration, and prevention have withstood the test of time and continue to drive our success. Throughout our 60-year history, we have found strength and opportunity through the fundamental and often unique partnerships within our organization: the physician and patient relationship; the collaboration between labor and management; the linkage of clinical research to improved care delivery; our investments and involvement in the communities we serve; the shared coordination of care across inpatient, outpatient, ancillary services, and all the settings of care delivery; and the leadership of Kaiser Permanente shared by the health plan and the medical groups.

We take pride and satisfaction in our continued performance improvement and our ability to respond to financial challenges. Our achievements are due to the commitment, good will, and pure hard work of thousands of caregivers and dedicated employees in Kaiser Permanente clinics, labs, hospitals, and offices across the country. As we reflect on the accomplishments of the past year, we see a Kaiser Permanente that is thriving, with greater creativity, innovation, and service than ever before.
For our members, 2006 brought greater accessibility to quality care. We opened new hospitals and broke ground on new facilities. In addition, we put millions of dollars back into the neighborhoods we serve through community benefit programs. Our members enjoyed greater access to their own health information with lab results and immunization records that are now available online. These initiatives, along with our disease registries and the most proactive health education program in the health care industry, provided our members with ever-increasing control over their health and health care. In fact, at Kaiser Permanente, we are using technology not only to improve convenience and efficiency, but to truly transform the way in which care is delivered.

For our employees, last year helped remind us of why we choose to work here. Kaiser Permanente again distinguished itself as one of the most desirable places to work in the country. We were recognized by outside organizations for our commitment to a diverse workplace, and several human resource publications ranked us as a workplace of choice. The Labor Management Partnership, the largest, most complex health care partnership in the nation, sets us apart from other organizations in our efforts to empower our employees to provide exceptional care. Providing culturally competent care and linguistic services to our members, and attracting and retaining a diverse workforce, are priorities that reach back to our beginnings and continue to make us a nationally recognized leader in delivering total health care.

With more than 45 million Americans uninsured and millions more getting substandard care, people of all backgrounds and philosophies agree that something must be done. In 2007 and 2008, this discussion is likely to reach a crescendo, and fundamental change will be more possible than it has been for more than a decade. As a member of the community as well as a leader in the health care industry, we will actively engage in these discussions. Our goals will be clear: to reform the care delivery system; to give providers the tools they need; and to promote a culture of health. Progress toward these goals will dramatically improve health care access, quality, and costs for all.

Going forward, our challenge is to make good on the opportunities provided us by our own recent accomplishments. If we remain focused on our mission and remain true to the enduring principles of innovation, leadership, and professional business ethics that have guided us in the past, we will continue to thrive for years to come.

Be well,

George C. Halvorson
Chairman and Chief Executive Officer
Kaiser Foundation Health Plan, Inc., and Kaiser Foundation Hospitals

Francis J. Crosson, MD
Executive Director
The Permanente Federation
OUR RECIPE FOR TOTAL HEALTH
IMPROVING THE HEALTH OF OUR MEMBERS AND THE COMMUNITIES WE SERVE.

We believe that health involves the whole person and the whole community we serve. So, with the way we deliver medicine, we look at health from a full 360-degree perspective, and we work to make a difference from every angle, whether it’s mind, body, or spirit. We call it total health.

Our approach begins with preventive medicine. We encourage our members to manage their health on a proactive schedule through actions such as mammograms, cholesterol tests, and blood pressure checks, so we can fine-tune small issues before they become larger problems. And, we make it easy to do, by typically offering all of these services at a single medical center, allowing doctors, nurses, pharmacists, and other caregivers to coordinate the best care for our members.

Our Care Management Institute (CMI) looks at complex health issues and finds the best solutions that are proven to be effective and clinically sound. In 2006, CMI addressed several key areas such as severe obesity, patient-centered care, and inpatient palliative care. All of these programs represent measurable benefits for the health, wellness, and comfort of our members.

Even our health plan product strategy provides our members with programs such as Healthy Lifestyles (kp.org/healthyliving), which offers online chronic care support, total health assessments, weight management, and stress management tools.

We also pay close attention to health education for our members and for the community at large. In 2006, we offered hundreds of thousands of health classes at local facilities for smoking cessation, stress management, cholesterol management, and more. In our communities, we supported community-based programs to help people eat healthy and live active lives. Commonly known as Healthy Eating, Active Living (HEAL), this program represents our investment of $20 million over five years to address the increasing problems of poor nutrition and inactivity.

In addition, we invested $808 million in health services, technology, and funding to further the health of our communities. Through our Safety Net Partnerships with community health centers, we regularly share clinical practices and educational materials to reduce health disparities and promote a community-based system of disease prevention and management.

At our research centers, we determine the approaches that produce the best health results and share this knowledge throughout the communities we serve.
Unlike the old adage, there are times when having more cooks in the kitchen is a good thing. This is especially true when they are the most talented people, when their skills complement each other, and when their communications let them work together seamlessly.

For years, we have said that the cornerstone of our work is the physician/patient relationship. This is actually an understatement, because at Kaiser Permanente, we provide an expanded relationship. The physician is a key contact, but each member also benefits from an entire team of experts. We then put the latest medical and information technologies in their hands to strengthen and coordinate care and service.

Every member benefits from the knowledge of our research departments, the shared experience of all our physicians, the professionalism of our nurses, and the skills of all our other health care and administrative professionals.

In surveys, our members report their experiences are better because of the care and skill of our nursing staff. Through their dedication to the physical, emotional, and spiritual well-being of our members, our nurses contribute each day to our high-quality patient care.

Our unique partnership with our labor unions has established nationally recognized standards for collaboration and communication. To better serve our members, in 2006, we launched unit-based teams of staff, managers, and physicians. This approach engages people across a department in fundamental decision making, problem solving, and performance measurement.

What does all this mean? It means that, as a member of Kaiser Permanente, you have many talented people working together to help you live well and thrive.
Guided by our commitment to preventive medicine, kp.org is an innovative online health management resource for our members and the communities we serve. Any time of the day or night, members can access our extensive health and drug encyclopedias, make appointments, refill prescriptions, and learn how to improve or manage a health condition, all from the comfort of their homes. This online tool provides a secure, convenient way for members to participate actively in their total health.

Prospective members can use kp.org to apply online for our individual and family plans by completing a medical questionnaire for each family member seeking coverage. Information on our plans, including rates and benefits, facility locations, and other important details about the benefits of Kaiser Permanente membership, can also be found on kp.org.

Today, millions of our members use kp.org to stay connected with their physicians by sending secure e-mail, refilling prescriptions, scheduling appointments, and engaging in health behavior change programs. As we continue to add new online features in each of our regions, members will be more able to participate in their own care, including receiving preventive reminders. Through kp.org, members can securely access some lab results, review past office visit information, and check allergies, recent immunization history, and prescribed medications. They can also view summaries of their diagnoses recorded in their personal health records (PHR) and view their children’s records.
Employers and members enjoy the benefits of a broad array of products, services, and programs from Kaiser Permanente, all designed to integrate health and wellness. For employers, this translates to a healthier workforce and a healthier bottom line. For members, it means high-quality health care and more choice and control over their health care decisions. In 2006, Kaiser Permanente continued to enhance its portfolio of product solutions. We now offer more health plan options than ever before, with choices like our HMO copayment, deductible, Point of Service, and Preferred Provider Organization plans. We also offer our Custom Care Suite of consumer-directed health care solutions that allow members to save and pay for health care costs with financial tools, such as Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs). Throughout the year, we also expanded resources available on our kp.org Web site in the Healthy Living section, with numerous online tools for members to manage their health. In addition to health calculators, a health encyclopedia, and many other features, members in seven of our eight regions may now securely e-mail their doctors and access portions of their personal health records (PHR). In 2007, our Ohio region will also provide these additional online services to members. The kp.org/healthylifestyles site provides additional support for chronic care, total health assessments, weight and stress-related issues, and more. Members enjoy savings on health-related products and chiropractic, acupuncture, and massage therapy services provided by American Specialty Health, Inc. Additional member services include discounted Weight Watchers® memberships and enrollment in the 10,000 Steps® walking incentive program, as well as health classes and educational programs at Kaiser Permanente locations. We offer occupational health services focused specifically on health and safety needs in the workplace. Through a dedicated network of health care professionals, we offer injury care, and wellness and prevention services across several regions.
Our secret sauce gets
Healthy lifestyles begin at an early age, so we pay special attention to families and communities. Our pediatric weight management program is a perfect example. Overcoming childhood obesity involves the entire family, so we take a comprehensive approach. We screen children for obesity at each check-up and provide support for families through classes, individual counseling, and intensive group programs.

We offer educational theater programs, farmers’ markets at many of our facilities to improve access to fresh produce, more than $20 million in grants to address environmental factors leading to obesity, and communication training for physicians in community clinics. Our physicians partner with federal, academic, and public health associations to accelerate obesity learning and research. The Permanente Medical Group’s pediatric weight management program in Northern California was recognized for excellence by the National Initiative for Children’s Healthcare Quality (NICHQ) in 2006. We have similar programs in place across our regions.

In our Mid-Atlantic States region, we work with local elementary schools to promote healthy lifestyles for students. We provide health education, health fairs, and interactive performances that enable students to learn the importance of a healthy lifestyle. We teach them about the benefits of eating nutritiously, keeping active, and taking care of themselves.

Through these and many other wellness programs across our regions, we educate students through hands-on experience, helping them grow into adults with good, healthy habits for life.
A FRESH NEW APPROACH

Care management, also known as disease management, is widely acclaimed as the next evolutionary step beyond the innovations of managed care. In 1997, we created our Care Management Institute (CMI) to improve the quality of care and health outcomes.

Drawing on our extensive clinical experience, research, and patient data, CMI synthesizes knowledge about the best clinical approaches. This lets us create and evaluate effective and efficient care management programs.

For example, our Aspirin-Lisinopril-Lovastatin (A-L-L) initiative combines three medications to prevent heart attack and stroke for heart disease and diabetic patients. We use the treatment across our regions, and it was awarded the America’s Health Insurance Plans’ Innovation and Excellence in Chronic Care Award.

In 2006, we took care management to a new level with Kaiser Permanente Healthy Solutions, a new subsidiary that markets disease management programs to large, self-funded employers and community health plans in and out of the Kaiser Permanente system.

These innovative programs target patients with chronic conditions like diabetes and asthma, who may be at risk for emergency room care or costly complications if their conditions are not managed well. By empowering patients to manage their own care, we plan to improve health quality and outcomes while reducing or holding down costs. In 2007, Kaiser Permanente Healthy Solutions was renamed Avivia Health from Kaiser Permanente.
LOOKING TO THE PAST FOR A TASTE OF THE FUTURE

OUR SIGNIFICANT RESEARCH BENEFITS OUR MEMBERS AND THE COMMUNITY AT LARGE.

The size of our member population and length of our rich history have positive effects that extend far beyond our own members — they benefit the medical community at large. We operate the largest nonacademic research program in the United States. And we share our findings with the entire medical community, so our work benefits our members and the rest of the world, as well.

Simply put, we have one of the most robust collections of patient data ever assembled. We combine a wealth of patient information documenting the past 45 years, with a large and dedicated staff of researchers to refine the care we provide today and into the future.

Through our research efforts, we have conducted a wide variety of studies and participated in thousands of research projects aimed at improving care. In 2006, we published more than 200 scientific articles in such internationally recognized journals as the New England Journal of Medicine, Journal of the American Medical Association, Lancet, British Medical Journal, and Annals of Internal Medicine.

One of our largest efforts to date is our Research Program on Genes, Environment, and Health. The goal of this long-term program is to discover which genes and environmental factors — the air we breathe, the water we drink, as well as our lifestyles and habits — are linked to specific diseases. The first phase of the study involves surveying nearly 2 million adult health plan members in our Northern California region.

Today, we are recognized around the world for our research and the improvements our findings have brought to health care. We also conduct clinical trials of new drugs, medical devices, behavioral interventions, and other therapies.

RESEARCH HIGHLIGHTS

- We identified a relationship between a parent’s age at his or her child’s birth and the risk of autism in children.
- We found that using a pacifier during sleep can reduce a baby’s risk of Sudden Infant Death Syndrome by more than 90 percent.
- Our studies led to the development of DNA kits to detect cervical cancer.
- We learned that one cup of coffee per day can cut the risk of alcoholic cirrhosis by 20 percent.
- Our studies helped develop a new vaccine that prevents ear infections in children.
- We identified a link between obesity and Alzheimer’s disease.
Today, millions of Americans do not have health insurance. The uninsured have less access to basic health care services. For most of the uninsured, their point of access for serious medical needs is one of the most expensive health care venues — a hospital emergency department. This leads to poor health for millions and to increased health care costs for all of us, including employers, individuals, insurers, and providers, since the hospital must shift the cost of treating the uninsured to payors.

In 2006, Kaiser Permanente provided charitable coverage to 70,000 low-income persons. While attempts have been made in the past to bring universal health care to the United States, none has succeeded. Once again, Kaiser Permanente is at the forefront of important social change. We believe that reform should ensure maximum fairness, feasibility, and value, without disrupting those who currently are insured. Our principles include shared responsibility, subsidies and other incentives for low-income persons to purchase coverage, prevention as a cornerstone of good health, protection of funding for safety net institutions, and the need for broad-based, reliable funding.

Our fundamental approach to universal health care does not shift all the responsibility to the federal and state governments. We advocate a balanced approach, where every individual and every employer receives an incentive to obtain health coverage, and in which health care providers, insurers, and government agencies work together to provide an affordable, quality-driven, efficient health care delivery system and insurance market.
**DIVERSITY IS THE SPICE OF LIFE**

Our commitment to diversity and fairness is part of our heritage, and these values were first articulated by our founders. In the 1940s, Henry J. Kaiser insisted on merit-based hiring and non-segregated health care facilities. In 1970, co-founder Sidney R. Garfield, MD, referred to medical care as “a right” in a *New England Journal of Medicine* article.

This pledge to diversity is steadfast and integrated into our mission, our programs, and our practices. More than a decade ago, we set our National Diversity Agenda, which is intended to provide culturally competent medical care and service to our members. It enhances the diversity, skill, and performance of our workforce and targets the fastest growing segments of our society. It also aligns with our organizational aspiration to eliminate racial and ethnic health disparities.

We have received numerous awards for our work over the years. In 2006, we were named to *DiversityInc* Top 50 Companies for Diversity® and awarded the Innovation and Excellence in Community Leadership Award by America’s Health Insurance Plans for our Health Care Interpreter Certificate Training Program.

Our health plan membership is nearly 40 percent African-American, Latino, and Asian and Pacific Islander, with more than 130 languages spoken by our members. Reflecting the broad diversity of the communities we serve, our workforce is nearly 80 percent women, 60 percent people of color, and 75 percent of our regional presidents are women.
One of our most important environmental efforts is “green building,” or the design and construction of facilities that operate with maximum energy efficiency, linking environmental and public health. During the next 10 years, we will invest $24 billion in new, upgraded, and expanded facilities, making us a true leader in green construction.

The green building initiative extends to all of our regions. In the last few years, 56 of our facilities nationwide have received environmental awards as part of the Hospitals for a Healthy Environment Program.

Our overall environmental efforts are directed by the Kaiser Permanente Environmental Stewardship Council, a group of leaders from across the organization who focus on providing health care services in a manner that protects and enhances the environment and the health of communities now and into the future.

Along with green building and environmentally responsible purchasing, our stewardship program also promotes energy conservation, transportation systems management, healthy food systems, and safe chemical policies.

Our Modesto Medical Center project earned recognition as one of the greenest health care projects in the United States. As a pilot location for green innovations, it features permeable pavement materials that filter chemicals from rainwater runoff, toilets fitted to conserve water, carpets backed with leftover film from recycled safety glass, and many other innovations.
You really are what you eat. So, we’d rather be fresh broccoli than the frozen kind. By eating unprocessed foods, you avoid the sodium, fat, sugar, and additives that contribute to diabetes, heart disease, and other ailments.

This is why we promote healthy food choices and why we have created a new healthy food service for our patients, our staff, and our visitors. We are becoming a model for the health care industry by increasing access to fresh, healthy food at our facilities—from snacks to the cafeteria, from patient meals to farmers’ markets. These choices also reflect practices that are ecologically sound, economically viable, and socially responsible.

In 2003, one physician’s idea to hold a farmers’ market at our Oakland, California medical center became a popular weekly event. Patients even started scheduling doctor appointments on market days. Today, 35 Kaiser Permanente facilities hold regular markets. We have also developed a Farmers’ Market Resource Guide to help others create farmers’ markets in their own communities.

In the summer of 2006, we launched an innovative program to bring fresh, locally grown produce to our patients. Ten small, local farms provide ingredients used in the 6,000 daily meals of 19 Northern California hospitals. This pilot program is designed to make hospital operations more sustainable, support the regional economy, and provide a better diet for staff and patients.

Through our “Healthy Picks” program, we are changing the snack selection in our vending machines. More than 600 vending machines have been restocked so that at least 50 percent of the foods and beverages meet new criteria for lower fat, calories, sodium, and sugar, with fruit, nuts, and low-fat yogurt options.

At all of our medical centers, we have switched to serving milk from cows raised without synthetic hormones. In all, our fresh approaches to nutrition will show other health care providers and institutions how to source local foods, support local farms, protect the environment, and improve public health on a broad scale.
OVER 8.7 MILLION SERVED

Kaiser Permanente
BY THE NUMBERS (AS OF 12/31/06)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
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<tr>
<td>2006 OPERATING REVENUE</td>
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<td>2006 NET INCOME</td>
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<td>MEMBERS</td>
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*Source: 2006 Health Plan Employer Data and Information Set (HEDIS®). HEDIS is a registered trademark of the National Committee for Quality Assurance (NCQA).
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HELP YOURSELF TO A HEALTHY RECIPE

To help you on your journey to total health, we’ve included a dozen of our favorite healthy food recipes to share with your friends and family. Enjoy!

CREDITS

This report was produced in house by the Kaiser Permanente Brand Strategy, Communications & Public Relations Department, and Multimedia Communications, Northern California.

Special thanks to Preston Maring, MD, for contributing his recipes.

COPIES

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