With new buildings, new discoveries, and new programs in so many places, we could say that 2007 was a year of great change.

It would be more accurate to say it was a year of great acceleration.

In 2007, nearly every good thing that happened to our members, to us, and to our communities was the result of ideas and programs that have been at the center of our beliefs for years. From one end of the country to the other, we have helped our members make real progress on serious health issues such as obesity, smoking, heart health, and diabetes. We have seen our programs offer affordable, high-quality care to our members. We have seen our communities become cleaner, healthier places to live. And we have seen our organization enjoy the natural growth that comes from doing things the right way.

So with all the different things that happened in 2007, there’s only one way to describe the results.

We call it spreading health.
Photo: Members of the Kaiser Permanente Dragon Boat Team, KP Dragons
More than 60 years ago, Henry J. Kaiser and Dr. Sidney R. Garfield first articulated their commitment to total health and their vision for high-quality, affordable health care for working men and women and their families. In 2007, we, the employees and physicians of Kaiser Permanente, worked hard to deliver on their promise.

This annual report illustrates many of the successes we celebrated and the challenges we confronted in pursuit of this mission. A review of the year reveals numerous highlights. When we look at all of these achievements together, in one place, it is clear that Kaiser Permanente is as strong, vibrant, and innovative as it has ever been. We owe that enviable position to our people. They are our strength at a time when we need to be the best, now more than ever.

In our pursuit of excellence, Kaiser Permanente achieved many important milestones in 2007.

More than 2 million members are now signed up to use My Health Manager on kp.org, which is directly linked to our electronic health record, Kaiser Permanente HealthConnect™. On a daily basis, we are seeing evidence of how it is improving our care and service quality. It also provides new access and convenience for our members, including the ability to securely e-mail their doctors and view most lab test results online.

We also completed the outpatient implementation of KP HealthConnect, so that all 8.7 million members now have an electronic health record available in every clinic across our regions.

We continued to promote preventive care as a way of life with the most proactive health education program in the health care industry. We are helping our members and communities to make increasingly good lifestyle and health choices through our Healthy Eating Active Living (HEAL) programs. Our educational, engaging, interactive game—The Incredible Adventures of the Amazing Food Detective—encourages children to integrate healthy choices into their daily lives. We have contributed and will continue to contribute millions of dollars to our safety-net partnerships, care and coverage for uninsured children and families, and even live theater programs for students.

We enhanced the health of our buildings, the health of our communities, and the health of our employees. We are leading the way in sustainable, environmentally responsible building practices, and are the first and only health care organization that the U.S. Environmental Protection Agency has named a “Green Electronics Champion.”
We are leaders in our commitment to diversity and our workplace practices and understand the important role that diversity plays in our business and the communities we serve. With a health plan membership comprising nearly 40 percent people of color, linguistic diversity exceeding 130 languages, and a total workforce composition that reflects and frequently exceeds the diversity of the communities we serve, Kaiser Permanente is ideally positioned to lead the nation’s efforts in the reduction and, ultimately, elimination of health disparities.

In all of these efforts, we are driven by our dedication to our members’ care. Our caregivers in our clinics, labs, hospitals, pharmacies, and offices nationwide all are dedicated to serving our members. The partnerships at the core of our organization—between labor and management, between our medical groups and our health plan, between our physicians and patients, between and within our unit-based teams and various settings of care delivery—enable us to help our patients achieve total health.

Our integrated care delivery system, computer-supported care, clinical registries, and team-based medical practices, enable us to learn, improve, and care for our members like no other health system in the nation. Ongoing breakthroughs from the Sidney R. Garfield Health Care Innovation Center, and the Nurse Knowledge Exchange program in our medical centers allow us to get better every day.

We published more than 500 medical research papers in 2007 and are pleased to share these important findings openly to educate not only our caregivers and our members, but also the general public, on ways to improve their health. These discoveries could not happen without a dedicated workforce or a growing member population. Our integrated care delivery model and technological capabilities allow us to rapidly apply these findings to our practice and provide improved care for our members.

While we are proud of these results, we recognize that there is much work to be done to reform the American health care system. As a nation, we need to improve health care access, reduce costs, and ensure quality care for all. In this election year, health care has been a prominent topic. Kaiser Permanente is actively engaged in these discussions and continues to champion high-quality health care delivery and health care coverage for all.

We are here to make lives better. The momentum that we gathered in 2007 sets us up to do just that today and in the days ahead.

Be well and thrive,

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

John H. Cochran, MD
Executive Director
The Permanente Federation

our people take us farther and farther
Kaiser Permanente breathes new life into asthma patient

We have always believed that your health has profound effects on your life. One of our Ohio members is a perfect example. Doug Norris, PhD, is chair of the Mathematics and Computer Sciences department at John Carroll University in Northeast Ohio.

For years, he was a power walker who walked five 12-minute miles every day, even in Cleveland’s worst winter weather. Both of his parents had type II diabetes, and he knew that staying in shape could help keep the onset of diabetes at bay.

Unfortunately, he also had chronic asthma, which began to flare up after his 58th birthday. He told Andrew Franko, MD, his Kaiser Permanente primary care physician, that his asthma was out of control. “It was horrendous,” Norris says. “Every breath was pure torture. And there are a lot of breaths in a day.”

Dr. Franko referred him to Marta Vielhaber, MD, a Kaiser Permanente allergist, who put him on a combination of new asthma medicines that had just recently been introduced. Almost immediately, his asthma was under control, and he was back to his power-walking fitness routine.

“Dr. Vielhaber is a great listener,” Norris says. “She was able to fine-tune a prescription that works for me. I feel better today than I’ve felt in 15 years.”
More than 60 years ago, we recognized the powerful connections among body, mind, and spirit. Today, our view of total health is recognized by health care organizations around the world.

Because we have practiced coordinated care longer, our world-class physicians, nurses, and other health care professionals have taken health care to an entirely new level. With more than 14,000 physicians and 40,000 nurses, treating nearly 8.7 million members, our collective experience is second to none. It also is the reason we are continually invited to share our philosophy and techniques with other health care organizations far outside our regions, including Chile, Australia, Canada, and England.

The physician-patient relationship at Kaiser Permanente forms the foundation of our success. To make selecting a physician easy, members can choose their personal physicians online. Physicians then work as partners with their patients to make decisions about patient care.

Every year, our technology brings our health care teams closer to our members than ever. It also brings our health care teams closer to one another. Our health care and administrative professionals coordinate our members’ care with the help of an electronic health record, KP HealthConnect, that works proactively to provide preventive care and chronic disease management. Using an evidence-based approach, supported by our advanced technology systems, Kaiser Permanente’s health care providers, hospitals, pharmacies, labs, and researchers work together to help keep our members healthy and productive. This integrated model of care is unique to Kaiser Permanente.

Our members count on us at every stage of life. When they’re healthy, we help them stay that way. If they’re at risk for illness, we help them do what they can to avoid developing it. Complete Care, our array of award-winning disease management programs, helps members with chronic diseases such as diabetes, asthma, and heart disease. We provide services that empower members to quit smoking, lose weight, and reduce stress.

But we don’t stop with our members. We make our wellness-related materials available to the public on kp.org and our clinical approaches available to other practitioners. We ensure that all our resources become assets to our communities.
As an organization with 159,766 employees and 14,087 physicians, Kaiser Permanente utilizes the diverse cultural and language skills of our workforce in very tangible ways to provide high-quality care and services to our members. Those skills help us understand that workforce diversity is not about numbers, but about the diverse talent and skill sets needed to provide high-quality, culturally informed care and services to diverse populations. In 2007, we also held our 30th Annual National Diversity Conference. This extraordinary milestone reaffirmed that diversity for us is a practice, not an aspiration.

We are also committed to leading the nation to reduce and eliminate the disparities in health and health care. We take seriously our commitment to providing health care equity regardless of race, ethnicity, linguistic preference, national origin, gender, socioeconomic status, disability status, or sexual orientation/identity. We also cultivate partnerships and opportunities to learn from others and share what we learn.

Finally, one of the innovations we’re proudest of is our Labor Management Partnership. This unique partnership engages the hearts and minds of more than 130,000 front-line workers, managers, and physicians, giving decision-making responsibility to the people closest to our individual members.

Kaiser Permanente and the Coalition of Kaiser Permanente Unions created this partnership in the spirit of collaboration and innovation that Kaiser Permanente and its union employees have shared throughout our history. The year 2007 marked the 10th anniversary of this shared commitment, and it has truly distinguished Kaiser Permanente as a different kind of place—both to receive care and to work.

More than 20,000 Kaiser Permanente nurses participate in our Nurse Knowledge Exchange program, which involves a warm, patient-centered process that ensures a smooth handoff between shifts at the patient’s bedside.
First we deliver babies, then we deliver nurses

When Marie Buen brought her baby daughter home, she was expecting a lot of happiness, but she also had her share of tension and worry. Her daughter, Yalena, had jaundice and did not look healthy. “Being a first-time mom, it’s tough to know when your child’s health is in jeopardy,” she says.

Fortunately, in our Colorado Region, a Perinatal Home Care program has been in place for years. During a two-week span, our nurse practitioners visited Buen and Yalena at their home to monitor Yalena’s jaundice, sparing the family several office visits, which can be stressful for new parents. In the Denver area alone, we make approximately 600 house calls every month, which makes a real difference for 1,200 members.

According to Sue O’Dell, RN, CPNP, Perinatal Home Care makes shorter hospital stays possible so that new parents can bond with their children in the comfort of their own homes. Nurses are able to help new moms in a more relaxing home environment, as well. This is especially good for breastfeeding mothers, for whom the first few days are make-it-or-break-it time. “We’re able to help them in a comfortable, familiar setting. This is why such a high percentage of our moms are breastfeeding successfully,” O’Dell says.

Besides creating healthier, happier families, this program also cuts down on hospital readmissions for mother and child. As Buen says, “I can’t imagine how hard it would have been to pack the baby with all her gear and drive to the clinic twice a week.”

Instead, she and her daughter got the care they needed right at home. “I went from being scared to being confident that my baby girl would overcome her jaundice,” Buen says. “It was empowering to know she was going to be OK.”
With millions of members today, and a member base that goes back to 1946, we have one of the most robust collections of patient data assembled. This enables us to conduct evidence-based research on a large, diverse, and geographically distributed population.

Many of our research findings help us provide clinical decision support through KP HealthConnect. Because of Kaiser Permanente’s unique structure, delivery system, and culture, our physicians have access to research and clinical data. To put it simply, the knowledge we gain benefits our patients and members and the world at large.

In 2007, Kaiser Permanente investigators published more than 500 papers in peer-reviewed journals and achieved a number of important discoveries. Here are just a few of them:

**Caffeine and miscarriage risk:** A study of 1,063 pregnant women showed that drinking 200 mg of caffeine daily doubles a woman’s risk of miscarriage. Because of this study, the March of Dimes changed its recommendations on safe levels of caffeine intake for pregnant women.

**Alcohol and breast cancer risk:** A study of 70,000 women age 26 and older found it makes no difference whether a woman drinks wine, beer, or liquor; it is the alcohol itself and the quantity consumed that increase breast cancer risk.

**Gestational diabetes:** A study of 10,000 mother-child pairs showed that treating diabetes during pregnancy helps to break the link between gestational diabetes and childhood obesity.

Looking forward, in the Research Program on Genes, Environment and Health, in our Northern California Region, we are collecting genetic, behavioral, and environmental information from Kaiser Permanente members who have volunteered to participate. Researchers hope to better understand which genes and environmental factors—the air we breathe, the water we drink, as well as lifestyles and habits—are linked to common diseases such as heart disease, cancer, and diabetes.

Because of Kaiser Permanente’s unique research environment, the Centers for Disease Control and Prevention; the Agency for Healthcare Research and Quality; and the National Heart, Lung, and Blood Institute routinely turn to us to conduct landmark studies. More than 1,500 studies are in progress, with subject matter ranging from cardiovascular disease to Sudden Infant Death Syndrome (SIDS).
We know that good health does not begin or end at our front door. Last year, we committed more than $1 billion to our communities. To make the most of our efforts, we focused on four key activities:

**Make sure underserved people get the care they deserve**
In our facilities, we offer our innovative Charitable Coverage program for uninsured people, as well as traditional charity care. Our Charitable Coverage program grew by 25 percent in 2007, serving more people than ever before.

We also participate in Medicaid and the State Children’s Health Insurance Program, and we help people enroll in Medicare’s Limited Income Subsidy. In 2007, our use of the KP CheckUp Web-based tool to qualify low-income Medicare members for special subsidies received the President’s Award from the National Council on Aging. We also launched the Medicaid Learning Initiative with care management pilot programs for members with multiple chronic diseases through our partnership with the Center for Health Care Strategies.

**Work to support the safety net**
We work closely with community health centers, public hospitals, and local health departments, all part of the health care safety net. In 2007, we gave 347 grants totaling more than $45.2 million for safety-net hospitals and partners. In addition to grant funding, we offer technical assistance and training—last year providing scholarships to the Institute for Healthcare Improvement for more than 200 clinical leaders in safety-net organizations across the country. We also make our care-management and quality-improvement strategies available to our safety-net partners. We initiated two national quality centers through grants of $175,000 each to the National Association of Public Hospitals and Health Systems and the National Association of Community Health Centers.
Share the important discoveries we have made
Our research teams have made countless important medical findings, and we share all of this knowledge with practitioners, consumers, and policymakers. Our continuing work with the National Academy of Sciences’ Institute of Medicine in support of evidence-based medicine was expanded in 2007 to a number of additional areas, including racial and ethnic disparities, obesity, community health interventions, health literacy, and the status of the safety net.

We are highly committed to educating and training new and current health professionals. We trained approximately 2,700 residents and interns, and made significant investments to train nurses, pharmacists, and other allied health professionals.

We also are dedicated to disseminating our experience and prevention messages to students and families, and their broader communities. Our Educational Theatre Program expanded to all regions, with performances and workshops reaching 573,558 students and 115,668 adults in schools nationwide.

Build healthy communities
We work to change public policy, organizational practices, and the environmental conditions that influence health.

Our Healthy Eating Active Living (HEAL) initiative helps bring fresh, locally grown food into corner stores and improves public parks. In 2006, HEAL was a pilot program in 11 communities. Today, it is at work in 27 communities across all of our regions. And our Healthy Eating Active Living Convergence Partnership with other national funders and public health leaders has become a focal point for high-level thought leadership, a nationally coordinated anti-obesity strategy, combined funding, and a strong advocate for state and federal policy change.

In 2007, we introduced an interactive video game aimed at children ages 9 to 10 called The Incredible Adventures of the Amazing Food Detective. The game is based on a popular character from our nationally recognized Educational Theatre Program in public schools. In an engaging way, it teaches children how to choose healthy foods and get more exercise.

Each year, thousands of our employees and physicians donate their time to help improve the health of our communities. We believe that all of our employees and physicians should have the opportunity to volunteer their time and talent. That’s why we have created a Web site (kpcares.org) that helps match their skills and interests with needs in their communities.

Our Charitable Coverage program grew by 25 percent in 2007, serving more people than ever before.
One of our favorite community partners just turned 17

At Kaiser Permanente, we team up with a number of partners in the community. Our partnership with the Blood Bank of Hawaii is a perfect example. Recently, we approached teenage member Brandt Izumo about being a spokesperson for blood donations, and he was more than happy to help.

“He can definitely appreciate the good work they do,” explains Brandt’s mother, Ashlyn, a long time Kaiser Permanente member.

At 10 years old, Brandt was diagnosed with Crohn’s disease, a chronic gastrointestinal condition. The young Kaiser Permanente member required several units of blood. Two years later, with his condition closely monitored and controlled, Kaiser Permanente and the Blood Bank of Hawaii contacted him and his mother about being advocates for the blood bank.

Now 17 years old, Brandt is a frequent face for both organizations, encouraging people of all ages in his community to donate blood.

“Brandt has been brought up by Kaiser Permanente, both as a family member and as a patient,” his mother says.
to give you an idea of the scale of our building program and the way it helps our communities, the new Kaiser Permanente Antioch Medical Center contains 66,000 tons of concrete and 5,000 tons of steel. It has 1,950 doors, 136 miles of wiring, and 29 miles of plumbing. We also planted 23,500 shrubs and 1,500 trees. In all, the project provided jobs for 700 local construction workers and 1,400 employees. It takes more than 1.5 million hours of skilled union trade labor to complete the average Kaiser Permanente hospital project.

We’re determined to become the most responsible builder, both in dollar cost and environmental impact. Our Sidney R. Garfield Health Care Innovation Center is helping us reach that goal. In this one-of-a-kind facility, we work with teams of doctors, nurses, front-line workers, and architects to create nurses’ stations, patient rooms, neonatal units, and operating rooms that are safer for our patients, our employees, and our environment. We then test our designs with patients to create healing environments that respond to their needs. Then we standardize these improvements across our system.

Were Kaiser Permanente a construction company, it would be ranked the fifth largest in the United States. So with our 68 million square feet of facilities nationwide, we are making extraordinary efforts to become the most sustainable builder in the country and the most sustainable health care provider.

In 2007, we completed four new hospital projects in California—in Antioch (left), Santa Clara, Harbor City, and West Los Angeles—and one in our Northwest Region. Besides serving thousands of members, each of these new facilities will improve the economic health of its community by creating an influx equaling $500 million annually.

But these three hospitals are just the tip of a very large iceberg. By 2015, our Capital Plan will invest $28 billion in building new facilities and upgrading current ones. In 2008, we are scheduled to open three new state-of-the-art hospitals in California (two in growth markets and one seismic replacement), along with the purchase of an existing hospital. A new hospital tower being constructed in Hawaii also will open in 2008.

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We also like to think that we were recognized by thousands of trees that are still standing, by rivers and streams running clearer and cleaner, and by millions of lungs that are breathing a little easier.

To keep us focused on the big picture, we created the Kaiser Permanente Environmental Stewardship Council, a group of leaders who continually find new ways to deliver health care services that help protect the environment in which we all live.

Taking that a step further, we partnered with a growing number of hospitals and health care organizations, non-profit organizations, architectural and engineering firms, academic, industry, and governmental organizations, to create the Global Health and Safety Initiative, a movement within health care to improve patient safety, workplace safety, and environmental health and safety.

In 2007, we were recognized by a number of groups. They gave us numerous awards, including the National Environmental Leadership Award: Hospitals for a Healthy Environment and the City of Los Angeles Energy Reduction Award, to name a couple.

Here are just a few of the ways we make healthy environments a reality:

> Specifying ecologically sustainable materials for 30 million square feet of new construction
> Testing sustainable designs, including permeable paving and green roof construction
> Saving more than $10 million a year through energy conservation
> Saving more than 17 million gallons of clean water a year through shifting to digital imaging
> Phasing out PVC in our facilities, beginning with flooring and furniture
> Eliminating millions of vinyl gloves
> Replacing disposable patient gowns with natural fiber gowns that can be washed and reused up to 60 times
> Recycling more than 6,000 tons of waste, saving more than 66,000 trees

We also like to think that we were recognized by thousands of trees that are still standing, by rivers and streams running clearer and cleaner, and by millions of lungs that are breathing a little easier.

the more we grow, the greener we get
Green building, inside and outside our walls

At our Antioch Medical Center, we used a number of techniques that set new standards for environmental responsibility, like our choice of bamboo and drought-resistant plants for landscaping. This is part of a growing trend called xeriscaping, which means landscaping that needs very little or no water. In Antioch, that includes native California grasses, like blue wild rye and deer grass, which need no water at all. To cool the building on hot summer days, we planted a double row of trees on the south side. And since they lose their leaves every year, they let winter sun through to help warm the building.

We also use low-energy fluorescent lighting and occupancy sensors that automatically turn off the lights when no one is in the room, and we design our buildings with bigger windows so that we can take advantage of natural light. Besides saving energy, natural light expands the feeling of space in our interiors, which helps calm and comfort our patients.

Our Antioch Medical Center also features a labyrinth, or winding pathway, that encourages movement and contemplation. For thousands of years, these types of spiral walking paths have offered a feeling of tranquility to visitors. Many who walk these paths say it helps bring them a sense of peace and hope.
Last year, our members connected with their doctors—and got personal attention from the comfort of their own homes—in record numbers. That is the idea behind our technology-enabled health care system. Every day, our personal health record, My Health Manager, on kp.org, gives our members a more complete picture of their personal health information so they can actively take charge of their health.

By the end of 2007, almost 2 million members had signed up, and My Health Manager is becoming their latest good habit.

Unlike a lot of personal health records, which only access claims data, My Health Manager is directly tied to KP HealthConnect, one of the most robust and sophisticated electronic health records anywhere.

In April 2008, we completed the implementation of our ambulatory phase of KP HealthConnect, making outpatient records available electronically for our nearly 8.7 million members and their Kaiser Permanente care teams. Eight of Kaiser Permanente’s hospitals completed the deployment of KP HealthConnect in 2007, and we are on track to complete an additional 18 in 2008. KP HealthConnect continues to produce benefits toward improving quality, service, and patient safety, lets our members see most of the same clinical records their doctors use, and provides unique online tools to interact with us.
My Health Manager brings our members even closer to their doctors, because now they can communicate more often and more informally. Rather than taking time to make a phone call to schedule a routine appointment, members can send off quick e-mails to their doctors’ offices and get personal responses.

Our online system makes information available when and where our members need it. Our members can use its time-saving features 24/7, including online routine appointment scheduling and prescription refills. They also enjoy 24/7 online access to recent lab test results, eligibility and benefits information, and even their children’s* immunization records.

Of course, those users made far more than 2 million online visits. On a monthly basis, they sent 300,000 secure e-mail messages to Kaiser Permanente doctors and clinicians and viewed nearly 900,000 lab test results online.

*Age limits and access vary by state.

My Health Manager is free to all Kaiser Permanente members. This year, we expect to see it become an even more popular way for our members to help manage their health and thrive.
Dispensing high-quality care

A common challenge facing any hospital is the lack of a well-defined process for administering medications. Numerous interruptions can occur while nurses are dispensing medications. This can lead to lost time and occasional mistakes. So we began a study with our innovation and quality experts and our front-line nurses to determine how to prevent distractions for the nurses. This study led to a solution that we have named KP MedRite.

KP MedRite reduces interruptions and standardizes how nurses dispense medications. This lets them focus on patients and provide safer care. The results? A 50 percent reduction in the number of staff interruptions, a 50 percent increase in standardization of medication administration, and 15 percent faster delivery of medication.

KP MedRite will be rolled out to all our hospitals in 2009, and the Joint Commission on Accreditation of Healthcare Organizations is considering KP MedRite as a possible best practice for all hospitals.

This is only one example of how Kaiser Permanente is constantly raising the bar for quality of care. In U.S. hospitals, there are approximately 80,000 bloodstream infections every year. When hospitals take all of the proper precautions and systematically take steps to avoid infections, these infections become extremely rare and even can disappear entirely.

Because we work aggressively to prevent this problem, some of our hospitals are significantly better than the national average. In fact, one hospital has not had a single blood infection occur in more than two years, and six more hospitals have each gone more than a year since they have had even one.

That means seven of our hospitals are tied for having the best record when it comes to eliminating bloodstream infections and our other hospitals are looking to match them. And when our members’ well-being is at stake, No. 1 is the only place to be.
we provided care for nearly **8.7 million members** as of 12.31.07

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<th>Babies Delivered</th>
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<td>Doctor Office Visits</td>
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<td>32 Hospitals</td>
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<td>421 Medical Office Buildings</td>
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* Source: 2007 Healthcare Effectiveness Data and Information Set (HEDIS®)

HEDIS is a registered trademark of the National Committee for Quality Assurance (NCQA).

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*As of 12.31.07
“having an aim is the key to achieving your best”
~Henry J. Kaiser