

Kaiser Permanente KP Model

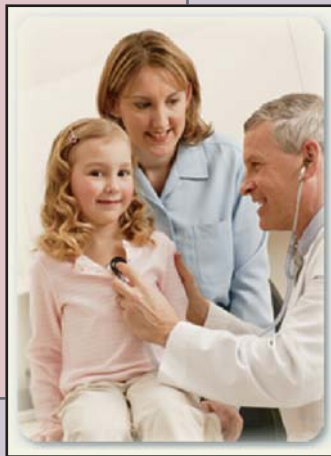
A Prepaid Integrated Delivery System



How is the Kaiser Permanente model of care delivery different from most American health care organizations?

Unique Approach

Kaiser Permanente's long record of achievements in providing high-quality, affordable health care to its members and its communities is directly related to the unique way we **organize, finance, and deliver** health care to members.



Unlike most American health care organizations, Kaiser Permanente is not just a health insurer, not just a hospital system, not just a physician group. It is all three of these things – a non-profit, prepaid, integrated delivery system.

It is through that close integration of all vital health care functions that KP is able to achieve the remarkable strengths and synergies that set it apart in terms of quality and efficiency from the fragmented, fee-for-service, non-systematic world of most American health care.

Setting KP Apart

The combination of the following characteristics distinguishes Kaiser Permanente from most other health care organizations:

- **Prepayment** – Prepayment, or capitation, of the annual member premium means that under Kaiser Permanente's comprehensive coverage plans members face no economic barriers to medically necessary care, as determined by their personal physician(s). Pre-payment aligns incentives between the health plan and the member so that both benefit when care is delivered.
- **Integration** – All of the insurance, administrative, and clinical functions of health care are provided within a partnership of three entities (health plan, hospitals, physician groups) working together with aligned goals for quality of care, efficiency, and affordability. In addition, all aspects of patient care are integrated for coordination and efficiency across specialties, sites of care, and life stages.
- **Group Practice** – The self-governed, multispecialty Permanente Medical Groups are committed to collaboration and coordination of care, evidence-based medicine, and wise use of resources.
- **Nonprofit** – The nonprofit status of the health plan and hospitals means that all revenue margins are invested in improved patient care infrastructure and in health-related community benefit programs.

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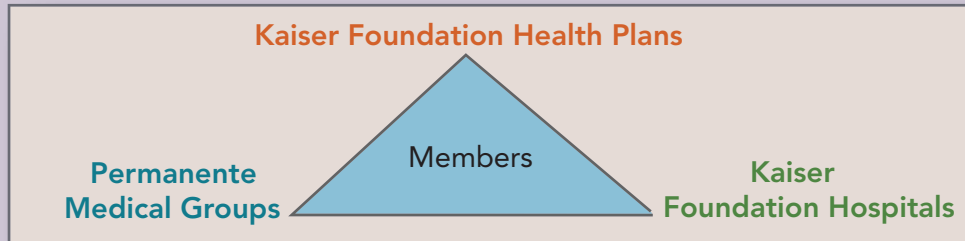
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A Seamless Partnership

A Seamless Partnership of Health Plans, Hospitals, and Medical Groups

Since its founding in 1945, Kaiser Permanente has defined the integrated model of health care financing and delivery through its unique partnership among three entities:

- **Kaiser Foundation Health Plans** – Nonprofit regional health plans that contract with members (individuals and groups) for prepaid (capitated) comprehensive health care services.
- **Kaiser Foundation Hospitals** – Nonprofit corporations that own and operate or contract for hospital facilities and services for the care of Kaiser Foundation Health Plan members.
- **Permanente Medical Groups** – Self-governed, multispecialty medical groups in each KP region that contract exclusively with Kaiser Foundation Health Plan and Hospitals to provide medical services to members.



Key Advantages

In contrast to the economic competition among doctors, hospitals, and health plans in the non-integrated system, all entities within the KP system share the same, aligned economic incentive: the efficient delivery of high quality, total health care to members.

In Kaiser Permanente's multispecialty medical groups, physicians and other clinicians:

- o Share experience and expertise to identify and implement successful practices.
- o Share a vast clinical knowledge base that continuously supports quality improvement.
- o Coordinate care across disciplines to provide continuity of care and reduce duplication and waste.
- o Practice physician-led team-based care (physicians, nurses, care managers, technicians, and others).
- o Monitor and report the quality of care.
- o Invest in sophisticated quality improvement tools and strategies that are not available to solo practice or small group physicians.

Preventive health and wellness services are emphasized to help keep members healthy.

Kaiser Permanente's size, scope, and integrated structure enables it to take full advantage of state-of-the-art information systems supporting clinical practice, administrative functions, and communications between and within KP and its members.

KP Model	Non-integrated Model
<ul style="list-style-type: none"> • Partnership of physicians and health plan 	<ul style="list-style-type: none"> • Competition between physicians and health plans
<ul style="list-style-type: none"> • Mission-driven organization: health care 	<ul style="list-style-type: none"> • Market-driven organizations: Profit
<ul style="list-style-type: none"> • Physicians cooperate and coordinate across specialties 	<ul style="list-style-type: none"> • Physicians practice in isolation from specialist colleagues
<ul style="list-style-type: none"> • Non-profit health plan investments focused on long-term quality and efficiency 	<ul style="list-style-type: none"> • For-profit health plan investments focused on short-term stockholder returns
<ul style="list-style-type: none"> • Capitated prepayment encourages efficiency, prevention/wellness service 	<ul style="list-style-type: none"> • Fee-for-service payment encourages duplication, waste, and overuse of services
<ul style="list-style-type: none"> • Partnering physicians help determine organizational strategies and priorities 	<ul style="list-style-type: none"> • Insurance executives/managers drive organizational strategies and priorities
<ul style="list-style-type: none"> • Multidisciplinary team-based care 	<ul style="list-style-type: none"> • Physicians practice in isolation