

## Kaiser's vital signs defy ailing economy



Al Seib / Los Angeles Times

Nurses Jojo De Guzman, left, and Elmir Lutz transfer patient Karen Ballog into Kaiser's new hospital on Sunset Boulevard. The nation's largest nonprofit healthcare organization, Kaiser employs 128,000 people in California.

**The HMO titan keeps growing. Many experts see it as a model for healthcare reform.**

By Lisa Girion  
April 1, 2009

At a time when much of the nation's economy is on life support, the giant health maintenance organization Kaiser Permanente opened a state-of-the-art, \$600-million hospital in Hollywood on Tuesday, a feat that illustrates the vitality of the healthcare sector and of Kaiser itself.

The nation's largest nonprofit healthcare organization, Kaiser employs more than 128,000 people in California and is the largest private employer in Los Angeles County. It is positioning itself for even more growth as the Obama administration pushes sweeping changes in the way the nation delivers healthcare.

Kaiser gets its share of controversy, medical scandals and patient complaints. Even so, reformers in the U.S. and abroad are looking at Kaiser as a model of some of the biggest ideas in healthcare today -- prevention and demonstrable quality care, such as high mammography rates and top cardiac surgery results. It's also priced less than most competitors.

Chairman George C. Halvorson thinks Kaiser can capitalize on the growing demand from employers, consumers and policymakers for measurable results and relative value.

"In the midst of this continuing recession, we believe that our ability to deliver better care more efficiently will give us a competitive advantage," he said last month.

That puts Kaiser in the fore of a tectonic shift in the economy. Nowhere is that more visible than in Southern California. For decades, the Cold War fueled the aerospace industry, the region's most robust job machine. But quietly, over the last decade, bum knees, clogged arteries and other ailments have replaced airplanes, moon rockets and space shuttles as the region's primary job engines.

Today, hospitals like the 465-bed facility Kaiser just opened on Sunset Boulevard are the new factories of an economy that is reshaping itself to produce the services an aging America needs most.

The U.S. spends \$2.5 trillion, or 16% of the nation's gross domestic product, on healthcare. Within a decade, that is expected to climb to 20%.

"Healthcare is, to some extent, independent of the business cycle," said Esmael Adibi, director of Chapman University's Anderson Center for Economic Research. "It's a domestic growth industry. As people are aging, you need more workers, whether it is in the clinic, offices or hospitals."

In the Los Angeles area, almost 1 in 10 workers is employed in healthcare. That was true for heavy industry, including aerospace, a decade ago. Now, 1 in 16 working Angelenos is employed in that sector.

Kaiser overtook Boeing as the county's top private employer at least seven years ago. As if to underscore the shift, Kaiser plans to open a medical center this year on a Downey plot once used to assemble space shuttles and Apollo rockets.

That means people who work with patients, such as Kaiser cardiac nurse Lisa Geller, enjoy enviable job security. "I'm ecstatic that I made this career choice -- especially in this environment," she said.

Kaiser is not immune from the economic storm. It posted a net loss last year of \$794 million as a result of investment losses. It also lost 30,000 members last year, and recently laid off about 160 information technology workers.

Still, while other hospital operators have closed scores of facilities across the state in the last decade, Kaiser is engaged in an ambitious \$10-billion campaign to add capacity and swap out older facilities with earthquake-safe structures. It has added nearly 1,600 beds and 10 hospitals in California in 10 years. On Sunset, the old hospital next door will eventually be torn down to make way for an expansion of the new hospital.

It's not that Kaiser doesn't have its faults. It has been accused in recent years of endangering kidney transplant patients in San Francisco, dumping homeless patients in Los Angeles and gaming the system

to avoid paying for expensive treatment for children with autism. And in most years the nonprofit HMO's margins are so high that critics say it is a nonprofit in name only.

Much of what Kaiser does happens outside its hospitals.

"Our hospitals, as gleaming as they are, only touch about 260,000 patients a year, and we have 3.3 million people that we take care of in Southern California," said Benjamin Chu, president of the company's Southern California operations. "So the bulk of our interactions are going to be on the outpatient side . . . where the focus is on health and keeping people as healthy as possible."

One way Kaiser does that is by involving everyone -- from physicians to office clerks -- in ensuring patients get the tests and vaccines they need.

Mary Gonzales credits the receptionist in her Kaiser allergist's office with saving her life by pushing her to get her mammogram, which was overdue.

"I said, 'Oh, I'll get it done,' " said Gonzales, a retired school office manager. "And she said, 'No. I'll do it for you.' And she made an appointment."

The mammogram showed a spec, less than 5 millimeters wide, of a fast-growing, virulent form of cancer.

Gonzales, 68, did not need radiation or chemotherapy because the surgeon excised it so early. A couple of months later, she returned to the allergist with a box of candy for the receptionist.

"Thanks to her, I have more time to spend with my family; I had a chance at life again," Gonzales said.

The medical care model that would become Kaiser took root in the Mojave Desert, where thousands of workers were building the Colorado River Aqueduct and faced problems similar to those today.

"During the Great Depression, while others were talking about the medical crisis facing America's families because they could not afford medical care, a young physician, Sidney R. Garfield, built a system of clinics and hospitals" for those workers and their families, said Kaiser historian Tom Debley.

But Garfield couldn't get the insurance companies to pay on time, not all the workers had insurance, and he often went without payment.

Before long, he was unable to cover his costs. So he got insurers to pay a set fee -- 5 cents at first -- per worker, per day, up front. The prepayments kept Garfield in operation and gave him an incentive to keep the workers healthy rather than merely treat them when they got sick.

As the aqueduct neared completion, the healthcare model caught the attention of industrialist Henry J.

Kaiser, who brought Garfield in to organize the care of workers and families at the Grand Coulee Dam. Then, in 1941, Garfield did the same for workers at Kaiser's Richmond, Calif., shipyards. Kaiser and Garfield opened the Permanente Health Plan to the public in 1945.

Today, Kaiser has 8.6 million members in nine states. And the health plan designed to support workers in heavy industry has itself become a giant industry. Kaiser annually conducts 34 million outpatient visits, performs 452,000 surgeries, fills 113 million prescriptions and delivers 85,000 babies -- including a set of octuplets this year.

Members are promised comprehensive medical care for a preset price. This cradle-to-grave emphasis on prevention and early detection -- such as infant vaccinations and colonoscopies -- is an orientation that President Obama and many lawmakers favor because it reduces costs by deterring and catching illness early.

Such health maintenance organizations fell out of favor in the 1990s as a result of a popular backlash against medical gate-keeping. And HMOs now are few outside the state.

In California, Kaiser remains a titan. With 6.6 million California members, it is the largest nonprofit health plan in the state, surpassed in enrollment only by the for-profit Anthem Blue Cross. It is one of the state's largest hospital operators, along with Catholic Healthcare West.

Of course, Kaiser is more than a hospital company, as Chu likes to point out.

"In the hospital world, the economic model is tied to admissions," he said.

"For us, the better job we do, the fewer people will need hospitals."

[lisa.girion@latimes.com](mailto:lisa.girion@latimes.com)