

Case 72

The Transformation of the Kaiser Family Foundation

Henry J. Kaiser Family Foundation, 1991

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Background. The Henry J. Kaiser Foundation was created to use for philanthropic purposes the fortune amassed by Henry Kaiser, a successful industrialist who founded the Kaiser Permanente health management organization.¹⁰⁵⁹ For most of its existence, the Foundation operated much like any other private family foundation, making grants in the field of health and health care, and overseen by a board of trustees. In the late 1980s, however, the Foundation's board—led by trustees Barbara Jordan (the first black woman to serve in the United States Congress), Hale Champion (of Harvard University's Kennedy School of Government), and Don Evans (formerly Governor of the State of Washington)—came to feel that its assets could be put to better use. In determining the Foundation's new direction, the trustees asked themselves only one question: “how can we best have an impact with (then) about \$30\$40 million to spend each year in a rapidly changing, trillion-dollar health-care system?”¹⁰⁶⁰

Looking at the landscape of American health care, the trustees came to feel that the Foundation's assets alone were insufficient to achieve real impact in such a large system. For-profit interests, on either side of any number of controversial health issues, would always be better funded. Similarly, the Kaiser Family Foundation, with holdings worth approximately \$500 million, was too small to fund massive nationwide demonstration projects, of the sort that larger foundations have at times underwritten, aimed at proving some new program's large-scale efficacy. As they charted a new course for the Foundation, the trustees recruited Dr. Drew Altman to serve as its president. Altman had an admired track record at both the Pew Charitable Trusts and the Robert Wood Johnson Foundation.

Altman and the board came to perceive a very specific niche that was going unfilled in American health care. Despite the abundance of private and public interests opposing one another on a host of issues, there was no independent nonpartisan voice for the public as a whole. Kaiser's leadership came to feel that, by providing high-quality nonpartisan research and analysis and by using effective communications strategies to disseminate this information, the Foundation might be able to upgrade the quality of the many debates constantly unfolding across the health care system.

Strategy. To that end, the trustees voted to convert Kaiser into an operating foundation, which is to say it would design and operate its own programs internally, rather than making grants to outside nonprofits. As Altman recognized, “[y]ou can't operate in today's health care world effectively without quickly seeing that the main ballgame is government. Government policy and financing drives our health care system. And it's not doing it well enough.”¹⁰⁶¹ The Foundation's goal, therefore, was to improve the functioning of government in the health care arena. This was to be accomplished by playing the role of a disinterested entity, gathering the best available research on a range of important health care issues, conducting research of its own, and providing high-quality analysis in a form accessible to the general public.

The Foundation has also taken the unusual step of paying out well above the 5 percent mandated by law. Since the Kaiser Family Foundation's reorganization in 1991, its trustees have sought only to maintain the purchasing power of the Foundation's assets *at its 1991 level*. Most foundations, in contrast, seek not only to preserve the value of their assets, but indeed to increase it. As a result of this policy, the Kaiser Foundation is generally able to pay out between 9 and 10 percent of its assets each year.¹⁰⁶² In fiscal year 2003, for example, the Foundation spent over \$58 million on assets of \$545 million.¹⁰⁶³

Because the Kaiser Foundation operates its own programs, however, and because of its unique strategy, the Foundation is particularly reliant on its human capital over the value of its appropriations. According to Dr. Altman, the Foundation's primary resources are in fact its staff members, all of whom have relevant professional expertise, whether in polling, politics, broadcasting, statistical modeling, or elsewhere.¹⁰⁶⁴ Kaiser has no program officers, having abolished the traditional foundation job in favor of a system in which everyone is responsible both for the substantive work of research and analysis, and for helping to communicate its findings to the Foundation's target constituencies.

Today the Foundation operates twelve programs, ranging from partnerships with commercial media outlets to research and analysis aimed at educating physicians on the disparities in medical treatment among different racial and ethnic groups. At times these programs overlap, but all have in common a commitment to providing nonpartisan research and analysis to one of three constituencies: policymakers, the media, or the general public.¹⁰⁶⁵

For the most part, the Kaiser Foundation's agenda mirrors the national health agenda. As a result, significant attention is given to such issues as Medicare, Medicaid, and prescription drug financing. However, the Foundation has also chosen to maintain a special focus on two particular issues: the spread of HIV/AIDS and the health care challenges unique to minority populations. Just over half of the Foundation's annual expenditures are targeted at these two foci.¹⁰⁶⁶ In this way, the Foundation both improves the quality of the dialogue, and also seeks to make sure that two particularly important, if often overlooked, health care challenges remain in the public eye.

The Kaiser Foundation's single largest initiative is the Kaiser Commission on Medicaid and the Uninsured. Staffed by foundation personnel, "under the guidance of a bipartisan group of national leaders and experts in health care and public policy," the Commission provides information and analysis to policymakers, journalists, and the general public on health care coverage in the United States.

The Foundation's second largest activity is its engagement in a range of partnerships with entertainment and news media organizations. The Kaiser Family Foundation partners with *The Washington Post* to conduct polling on health care issues. And it has joined with Viacom in a joint initiative to promote HIV awareness, which Viacom has made a company-wide priority integrated into its networks' TV programming and online content. To date, Viacom has made media commitments of over \$250 million to this partnership.¹⁰⁶⁷ And this is only one of the many partnerships the Foundation has forged to disseminate via news and entertainment outlets unbiased information on health and health policy in the United States.

The Foundation runs a multitude of other programs as well. It conducts studies of the media's impact on public health, and works to make physicians aware of the disparities in treatment—both its accessibility and quality—faced by minority patients. The Foundation takes advantage of California's role as a frequent incubator of innovative policy solutions to study which new developments in health care coverage and financing, once tried in that state, might be ripe for nationwide implementation.

Outcomes. The initiatives described above constitute a sample of Kaiser's operation, a sample intended to illustrate the Foundation's overall strategy. By improving the quality of information in the health care field—especially on issues of high public salience—and by disseminating information in an accessible form, whether to politicians, journalists, or sitcom-watching teenagers, the Kaiser Family Foundation is working to enable American citizens to reach more informed conclusions, and, by extension, to promote better outcomes for health care policy debates at the federal level.

The transformation of the Kaiser Family Foundation was announced in April 1991, and was greeted with acclaim from those in the philanthropic community who recognized what a big step it was. Steven A. Schroeder, then-president of the Robert Wood Johnson Foundation, called it "an adventuresome step," and Robert Blendon, chairman of the department of health policy and management at the Harvard School of Public Health predicted that "[i]t will have big symbolic

importance. They [Kaiser] are trying to reverse the idea that philanthropic organizations should mirror the popular prejudice that it's hopeless" trying to reform health care policy.¹⁰⁶⁸

Impact. The big issues in modern health care cut to the core of what kind of society the United States aspires to be. Rapid technological progress has enabled scientists and physicians to cure and prevent a host of diseases, to raise living standards in much of the world significantly, and indeed to extend considerably the average human lifespan. But the advance of health care technology has created countless issues that can, it seems, be answered only through government action. Will state-of-the-art treatments be extended to all? If so, how will society foot the bill? Should special protections be given to the old and infirm? Or should markets reign unchecked? These, and a great many other questions, are at the forefront of American public policy debates.

Not-for-profits, as well as foundations specifically, employ a multitude of strategies in the hope of improving our \$1.6 trillion-per-year health care system, which consumes about 15 percent of the U.S. G.D.P. Recognizing its own inability to push government toward any meaningful reform, the Kaiser Family Foundation has instead carved out for itself a crucial niche between the people and the state. And \$58 million per year is a drop in the bucket of federal health spending. But, targeted specifically to public outreach and education, it is enough to fund a tremendous flow of information. This information is enriching the national discourse on health care. It is equipping the public to perceive more clearly the tradeoffs implicit in public policy debate, and to understand more fully a discourse most often carried out in the language of doctors and policymakers.

Kaiser's work does not easily lend itself to specific outcome measurements or rigorous evaluations of impact. But as Dr. Altman says, "we aspire to play a special role, and have ample evidence that we are succeeding."¹⁰⁶⁹ Because the Kaiser Foundation is injecting itself into a number of highly contentious debates, it will not be universally loved. But one of its greatest strengths—conferred by its unique independence as a private operating foundation—is that the Foundation need not fear the political heat. Few organizations without skin in the game are similarly well placed. And among those that are—some other foundations, for instance—there is often great reluctance to appear to be taking sides. The Kaiser Foundation, in its new incarnation, recognizes that it is not the primary mover in its field, and it accepts the fact that by communicating information of any sort it will likely offend someone. But, motivated by a belief that its "special role" is a necessary one, the Kaiser Family Foundation is content to connect the decision-makers and regular people alike with objective information and then trust that over time they will act wisely.

Notes

1059. The Foundation is, however, an entirely separate entity, fully independent of Kaiser Permanente.

1060. Drew E Altman, "President's Message: The Kaiser Family Foundation's Role in Today's Health Care System," available from <http://www.kff.org/>.

1061. Staff, "Kaiser Foundation to Seek U.S. health Care Overhaul," *Los Angeles Times*, 4/13/1991.

1062. Drew Altman, interview with Joel L. Fleishman, 1/7/2004.

1063. IRS Form 990 of the Henry J. Kaiser Family Foundation, FY 2003, available from <http://www.guidestart.org/>.

1064. Ibid.

1065. Drew E Altman, "President's Message: The Kaiser Family Foundation's Role in Today's Health Care System," available from <http://www.kff.org/>.

1066. Altman, interview with Joel L. Fleishman.

1067. Altman, "President's Message."

1068. Staff, "Kaiser Foundation to Seek U.S. health Care Overhaul."

1069. Altman, interview with Joel L. Fleishman.