Another multi-million dollar settlement against Kaiser exposes how nonprofit operates like a corporation for profit

Marc Wells
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On February 10, the US Department of Labor's Employee Benefits Security Administration (EBSA) announced a $28 million settlement with Kaiser Foundation Health Plan over failure to provide adequate mental health services. This follows only weeks after Kaiser agreed to pay $556 million to the state of California to resolve $1 billion in allegations of Medicare fraud.

The latest settlement took place during a strike by 31,000 Kaiser healthcare workers, intersecting broader working class opposition involving workers across healthcare, education, oil and logistics.

Federal investigators found that Kaiser had systematically failed to provide adequate access to in-network mental health and substance use disorder treatment for thousands of members in California. Patients seeking therapy, psychiatric care or addiction treatment faced long waits, insufficient provider networks and bureaucratic hurdles. Some were forced to seek care outside the Kaiser network, paying higher out-of-pocket costs.

Under the settlement, Kaiser will reimburse at least $28 million to affected members and pay $2.8 million in penalties. It has also pledged to implement "changes" aimed at improving access and reducing wait times.

For a multibillion-dollar conglomerate with $67 billion in reserves, these figures amount to less than a slap on the wrist. Kaiser Permanente, one of the largest nonprofit health systems in the United States, generates tens of billions in annual revenue, making the settlement simply a cost of doing business.

The case hinges on violations of the Mental Health Parity and Addiction Equity Act, which requires insurers to treat mental health and substance use treatment on par with physical health services. In practice, insurers routinely circumvent these requirements through understaffed networks, restrictive internal reviews and administrative barriers designed to limit payouts.

In 2023, Kaiser paid $200 million to settle violations of California mental health access laws, including a record $50 million fine. Investigations documented chronic understaffing that left patients waiting weeks or months for care. Union reports describe a "McDonaldization" of therapy, with unrealistic productivity quotas and reduced triage by licensed clinicians. Despite these fines and oversight measures, delays persisted, with some patients still facing extended waits for intake appointments years later.

The deeper issue is not merely regulatory noncompliance but the subordination of healthcare to profit. Mental health services are chronically underfunded, stigmatized and treated as secondary to more lucrative areas of medicine. Insurers have a direct financial incentive to restrict access, while delaying care and shifting costs onto patients.

Kaiser mental healthcare workers have repeatedly staged some of the longest strikes in US healthcare history, fighting both for their patients and better working conditions. In 2022 , nearly 2,000 Northern California therapists represented by the National Union of Healthcare Workers (NUHW) struck for ten weeks. In Hawaii, 50 Kaiser mental health clinicians were on strike for 172 days in 2022–23. Between October 2024 and May 2025, Southern California Kaiser mental health workers struck for 196 days, the longest healthcare strike by mental health workers in U.S. history.

Despite these prolonged actions, the NUHW ratified contracts that left the system's core issues untouched. Moreover, the federal settlement offers no enforceable staffing ratios and provides only vague promises regarding patient care quality.

Untreated depression and addiction destroy lives and families. Workers pay premiums and copays expecting care, only to find that services promised to them are functionally unavailable. Kaiser's financial model centers on limiting "unnecessary care" through a value-based system designed to reduce costs. While presented as "efficient" and "patient-focused," these measures translate into pressure to curb expensive tests, specialist referrals, and complex

diagnostics.

Internal programs, such as the Northwest Region's Healthcare Improvement Program, train physician leaders in clinical cost accounting and quality control, reinforcing a culture in which reducing visit volume and avoiding duplicate tests is considered aligned with the organization's mission. Although projected to save billions nationally, these programs foster "patient profiling" and the underdiagnosis of serious conditions, with some patients steered toward cheaper, "alternative" treatments.

Kaiser operates through a complex hybrid structure blending nonprofit status with for-profit medical practice. The Kaiser Foundation Health Plan and Kaiser Foundation Hospitals are 501(c)(3) nonprofits, granting them major tax advantages and allowing the collection of prepaid premiums from millions of members. Care is delivered by the Permanente Medical Groups, organized as for-profit partnerships owned by physicians.

Through capitated contracts, the nonprofit Health Plan pays the for-profit groups while also sheltering them through tax-exempt ownership of hospitals, clinics and equipment. This arrangement relieves physician groups of major capital costs while enabling profit-sharing largely shielded from public scrutiny.

Leveraging tax exemptions, Kaiser has amassed tens of billions in reserves (reportedly $67 billion by 2024) while operating in ways that closely resemble private corporations.

The traditional divide between nonprofit and for-profit healthcare is eroding as large nonprofit systems adopt corporate practices.

Systems like Kaiser accumulate extraordinary surpluses, finance expansions through tax-exempt bonds, spend heavily on marketing to capture market share, and engage in venture-style investments to generate returns. This "new nonprofit" model prioritizes profit-like surpluses and long-term market dominance, blurring the distinction with for-profit healthcare corporations.

There is a sharp conflict between Kaiser's supposed public mission and its investment practices.

While promoting itself as a champion of "healthy communities" and environmental justice, labor reports (including the United Nurses Associations of California/Union of Health Care Professionals' 2026 study *Profits Over Patients*) detail investments in industries linked to the military and police. Among the most controversial are financial ties to private prison corporations CoreCivic and GEO Group, major operators of prisons and immigration detention facilities long criticized for abusive conditions, medical neglect and overcrowding.

The reports also highlight connections to the defense sector. Henry Kaiser was a major military contractor during World War II, and Kaiser Permanente was originally founded to service employees at the yards and the industrialist's other workplaces. While the Kaiser Shipyards no longer exist, Kaiser Permanente's investment portfolios and pension funds reportedly include holdings in major military contractors such as Lockheed Martin, Boeing and Northrop Grumman.

Despite public commitments to carbon neutrality and sustainable operations, Kaiser's broader investment strategy reportedly includes fossil fuel and fracking interests. Critics describe this as "greenwashing," arguing that profiting from environmentally destructive industries undermines its stated commitment to public health and climate responsibility.

The latest report by the UNAC-UHCP union contains damning information, but the conditions it denounces did not emerge overnight. For nearly three decades, the unions and Kaiser have operated within the so-called Labor Management Partnership premised on collaboration and "joint problem-solving." Successive contracts under this framework failed to address understaffing, access delays, or corporate-style restructuring.

Rank-and-file efforts to demand meaningful improvements in staffing ratios, patient safety and workloads were repeatedly limited to narrow one-day protests or other tightly controlled actions, leaving the underlying business model intact. Through its participation in LMP, the union bureaucracy has committed itself to preventing strikes and collaboration with management.

Guaranteeing the right to healthcare requires a complete reorganization of healthcare as a public good, democratically controlled and funded to meet the needs of the population rather than the financial interests of shareholders or executives.

As workers grow increasingly opposed to the profit system, they must confront a union bureaucracy whose role is to defend that system and limit the impact of worker action. The building of rank-and-file committees independent of union bureaucrats and politicians is essential to mobilize the power of the working class independently of the union officials and corporate politicians who attempt to keep them in narrow, controlled channels.