



Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
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July 7, 2005

Marlene S. Ma, Counsel
Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, Suite 21L
Oakland, CA 94612

**RE: Complaint No. 228124
Enforcement Matter Number 05-189**

LETTER OF AGREEMENT

The Office of Enforcement of the Department of Managed Health Care (the "Department") has completed its investigation of Kaiser Foundation Health Plan's violation of Health and Safety Code section 1368(a)(5). The Plan failed to provide a clear explanation of the reasons for its decision and to include the Evidence of Coverage (EOC) provisions that apply to a coverage denial.

The enrollee had a child suffering from failure to thrive (only gained three and one-half pounds in four and one-half months), microcephaly, nystagmus, delayed milestones and visual impairment. The enrollee requested reimbursement and waiver of co-pay for non-formulary infant formula and human milk fortifier. On November 11, 2004, the enrollee filed a grievance regarding the Plan's denial. The Plan responded on December 1, 2004. In its denial letter, the Plan stated: "Your son's formula and fortifier is not a covered benefit." The Plan then proceeded to cite an EOC section that had no relevance to the actual reason for denial.

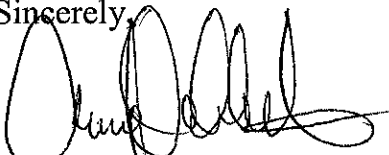
Letter of Agreement (05-189)

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Kaiser Foundation Health Plan has acknowledged its failure to provide a clear explanation of the reasons for its decision and the appropriate EOC provisions for a coverage denial. The Department has determined that an administrative penalty of \$2,500 is warranted in this matter. Kaiser Foundation Health has agreed to pay the penalty. The Department agrees that execution of this Letter of Agreement and payment of the penalty will settle this enforcement matter.

Sincerely,

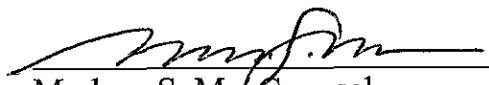


Amy L. Dobberteen
Assistant Deputy Director
Office of Enforcement

SCS:kts

Assessed Penalty Accepted by Kaiser Foundation Health Plan, Inc.

DATE: 7.14.2005



Marlene S. Ma, Counsel
Kaiser Foundation Health Plan, Inc.