



Gavin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
980 9th Street, Suite 500
Sacramento, CA 95814
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April 24, 2024

Via eFile

Mr. Gregory A. Adams
Chairman of the Board, President & CEO
Kaiser Foundation Health Plan, Inc.
DBA: Kaiser Permanente
One Kaiser Plaza, 22nd Floor
Oakland, CA 94612

**FINAL REPORT OF A ROUTINE EXAMINATION OF KAISER FOUNDATION
HEALTH PLAN, INC., DBA: KAISER PERMANENTE**

Dear Mr. Adams:

Enclosed is the final report (Final Report) of a routine examination for the quarter ended June 30, 2023 of the fiscal and administrative affairs of Kaiser Foundation Health Plan, Inc., dba: Kaiser Permanente (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report to the Plan on January 25, 2024. The Department accepted the Plan's electronically filed response on March 8, 2024.

The Final Report includes a description of the compliance efforts included in the Plan's March 8, 2024 response, in accordance with Section 1382(c).

Section 1382(d) states, "If requested in writing by the plan, the director shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within 10 days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its response. If so, please indicate which

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq.

portions of the Plan's response should be appended, and electronically file copies of those portions excluding information held confidential pursuant to Section 1382(c). If the Plan requests the Department to append a brief statement summarizing the Plan's response or wishes to modify any information provided to the Department in its March 8, 2024 response, please provide an addendum no later than 10 days from the date of the Plan's receipt of this letter. Please file this addendum electronically via the corrective action plan (CAP) system within the Department's eFiling web portal at <https://wps0.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling."
- From the eFiling menu, select "Online Forms."
- From the Online Forms menu, select "Details" for "CAP # S23-R-055."
- Go to the "Messages" tab, then:
 - Select "Addendum to Final Report" (note this option will only be available for 10 days after the issuance of the Final Report).
 - Select the deficiency(ies) that are applicable.
 - Create a message for the Department.
 - Attach and upload all documents with the name "Addendum to Final Report."
 - Select "Send Message."

The Department finds that the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

Questions or problems related to the electronic transmission of any addendum should be directed to the Office of Financial Review administrative support team at 916-255-2345 or by e-mail at ofr_admin@dmhc.ca.gov.

The Department will make the Final Report available to the public in 10 days from the Plan's receipt of this letter. The Final Report will be located at the Department's web site at <http://www.dmhc.ca.gov/LicensingReporting/ViewFinancialExaminationReports.aspx>.

Mr. Gregory A. Adams
Kaiser Foundation Health Plan, Inc.
DBA: Kaiser Permanente
Final Report of Routine Examination

April 24, 2024
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If there are any questions regarding the Final Report, please contact me at 916-403-9518 or by e-mail at Marcia.Davis@dmhc.ca.gov.

Sincerely,

SIGNED BY

Marcia Davis
Corporation Examiner IV, Supervisor
Office of Financial Review
Division of Financial Oversight

cc: Deborah Espinal, Vice President, Kaiser Foundation Health Plan, Inc.
Pritika Dutt, CPA, Deputy Director, Office of Financial Review
Jennifer Clark, Supervising Examiner, Division of Financial Oversight
Daniel Flores, Examiner, Division of Financial Oversight
Anna Cassada, Examiner, Division of Financial Oversight
Justin Goodwin, Attorney IV, Office of Plan Licensing
Chris Wordlaw, Staff Services Manager III, Office of Plan Monitoring
Chad Bartlett, Staff Services Manager II, Help Center

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

**OFFICE OF FINANCIAL REVIEW
DIVISION OF FINANCIAL OVERSIGHT**

FINAL REPORT OF A ROUTINE EXAMINATION

**OF
KAISER FOUNDATION HEALTH PLAN, INC.
DBA: KAISER PERMANENTE**

FILE NO. 933 0055

DATE OF FINAL REPORT: APRIL 24, 2024

SUPERVISING EXAMINER: JENNIFER CLARK

OVERSIGHT EXAMINER: MARCIA DAVIS

EXAMINER-IN-CHARGE: DANIEL FLORES

FINANCIAL EXAMINERS:

NYAMSUREN SANJAA

GETACHEW TAREKE

SULLY WONG-GUERRERO

**BACKGROUND INFORMATION FOR KAISER FOUNDATION HEALTH PLAN, INC.,
DBA: KAISER PERMANENTE**

Date Plan Licensed:	November 4, 1977
Organizational Structure:	Kaiser Foundation Health Plan, Inc., dba: Kaiser Permanente (Plan) is a non-profit, public benefit corporation and a federally qualified health maintenance organization. The Plan is one of the organizations that comprise the Kaiser Permanente Medical Care Program.
Type of Plan:	The Plan is a full-service health care service plan providing a full range of health benefits, including hospital, medical, and prescription drug benefits to commercial, Medicare, and Medi-Cal enrollees.
Provider Network:	The Plan is an integrated care model offering health care services through a contracted network of hospitals and physician practices operating under the Kaiser Permanente name. Compensation arrangements include capitation, discounted fee-for-service, per diem, and case rate basis.
Plan Enrollment:	The Plan reported 9,443,153 enrollees as of June 30, 2023.
Service Area:	Alameda, Amador, Contra Costa, El Dorado, Fresno, Imperial, Kern, Kings, Los Angeles, Madera, Marin, Mariposa, Napa, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Sutter, Tulare, Ventura, Yolo, and Yuba counties.
Date of Prior Final Routine Examination Report:	February 7, 2022

FINAL REPORT OF A ROUTINE EXAMINATION OF KAISER FOUNDATION HEALTH PLAN, INC., DBA: KAISER PERMANENTE

This is the final report (Final Report) for the quarter ended June 30, 2023 of a routine examination of the fiscal and administrative affairs of Kaiser Foundation Health Plan, Inc., dba: Kaiser Permanente (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report (Preliminary Report) to the Plan on January 25, 2024. The Department accepted the Plan's electronically filed response on March 8, 2024.

This Final Report includes a description of the compliance efforts included in the Plan's March 8, 2024 response to the Preliminary Report, in accordance with Section 1382(c). The Plan's response is noted in italics within this Final Report.

The Department examined the Plan's financial report filed with the Department for the quarter ended June 30, 2023, as well as other selected accounting records and controls related to the Plan's various fiscal and administrative transactions.

The Department's findings are presented in this Final Report as follows:

- | | |
|-----------|------------------------------------|
| Part I. | Financial Statements |
| Part II. | Calculation of Tangible Net Equity |
| Part III. | Compliance Issues |

The Department finds that the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq. References to "Rule" are to regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act of 1975 contained within title 28 of the California Code of Regulations.

PART I. FINANCIAL STATEMENTS

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the quarter ended June 30, 2023, as filed with the Department. A copy of the Plan's financial statements can be viewed by selecting "Kaiser Foundation Health Plan, Inc." on the second drop-down menu of the Department's financial statement database available at <http://wpso.dmh.ca.gov/fe/search/#top>.

No response is required to this Part.

PART II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

Net Worth as reported by the Plan as of quarter ended June 30, 2023	\$ 62,131,840,000
Less: Intangible Assets and Goodwill – Net	433,454,000
Less: Deposits and Deferred Charges	<u>187,156,000</u>
TNE	61,511,230,000
Required TNE	<u>2,784,902,000</u>
TNE Excess per Examination	<u>\$58,726,328,000</u>

The Plan was in compliance with the TNE requirements of Rule 1300.76 as of June 30, 2023.

No response is required to this Part.

PART III. COMPLIANCE ISSUES

A. CHANGES IN PLAN PERSONNEL

Section 1352(c) and Rule 1300.52.2 state, in part, that a plan shall, within five days, file an amendment when there are changes in personnel of the plan. Changes in personnel refer to the addition or deletion of a director, trustee, principal officer, general partner, general manager or principal management persons, or persons occupying similar positions, or performing similar functions, or a substantial and material change in the duties or any such person.

The Department's examination disclosed that the Plan did not timely file changes in plan personnel as indicated in the table below.

Position Title	Reason	Effective Date	Filing Date	Days > 5 days
SVP and Regional CFO	Left Position	3/7/2021	3/26/2021	14
Interim SVP and Regional CFO	Appointed	3/7/2021	3/26/2021	14

The Preliminary Report required the Plan to implement corrective actions to ensure changes in plan personnel are filed with the Department within five days pursuant to the above Section and Rule, describe the corrective actions taken to the Department, state the date of implementation, and identify the management position(s) responsible for ensuring ongoing compliance.

The Plan responded that the two instances of untimely personnel filings were due to unforeseen circumstances that have been addressed with respect to future submissions; therefore, no corrective action plan is warranted at this time. The management position responsible for ongoing compliance regarding timely submission of personnel change filings is Vice President, Executive Compensation and Benefits, Human Resources, Kaiser Foundation Health Plan.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.

B. FIDELITY BOND

Rule 1300.76.3 requires each plan to maintain at all times a fidelity bond covering each officer, director, trustee, partner, and employee of the plan, whether or not they are compensated. In addition, the fidelity bond shall provide for 30 days' notice to the Director prior to cancellation.

The Department's examination disclosed that the required 30 days' notice included the word "endeavor" and a negate clause.

On November 15, 2023, the Plan submitted a revised fidelity bond policy Endorsement that corrected the deficiencies noted above, and thereby demonstrated compliance with the requirements of Rule 1300.76.3.

The Preliminary Report required the Plan to implement corrective actions to ensure the fidelity bond, upon renewal, complies with the requirements of the above Rule, provide clean and redlined versions of related policies and procedures when applicable, state the date of implementation, and identify the management position(s) responsible for ensuring ongoing compliance.

The Plan responded by including the Crime Renewal Desk Level Procedure which became effective March 1, 2024. At each renewal or change in coverage, the Crime Program Manager must confirm the proposed coverage meets the criteria in the procedures. Further, any material changes in coverage term of the program or the requirements of the Department, the Crime Manager must update the Desk Level Procedure and obtain approval of the Vice President, Corporate Risk Management.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.