



Edmund G. Brown Jr., Governor
State of California
Health and Human Services Agency

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October 20, 2014

via USPS Delivery and eFile

Bernard J. Tyson, Chairman and Chief Executive Officer
KAISER FOUNDATION HEALTH PLAN, INC.
1800 Harrison Street, 20th Floor
Oakland, CA 94612

**FINAL REPORT OF ROUTINE EXAMINATION OF KAISER FOUNDATION
HEALTH PLAN, INC.**

Dear Mr. Tyson:

Enclosed is the Final Report of a routine examination of the fiscal and administrative affairs of Kaiser Foundation Health Plan, Inc. (Plan), conducted by the Department of Managed Health Care (Department), pursuant to Section 1382(a) of the Knox-Keene Health Care Service Plan Act of 1975.¹

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 ten (10) days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its response to the Final Report. If so, please indicate which portions of the Plan's response shall be appended, and electronically file copies of those portions of the Plan's response 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 to the Final Report or wishes to modify any information provided to the

¹ References throughout this Report to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq. References to "Rule" are to the regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act, found at Chapter 2 of Division 1, Title 28, of the California Code of Regulations, beginning with Section 1300.43.

Department, please provide the filed documentation no later than ten (10) days from the date of the plan's receipt of this letter through the eFiling web portal.

Please file this addendum electronically via the Corrective Action Plan system (CAP system) within the Online Forms Section of the Department's eFiling web portal <https://wpsso.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select “eFiling”.
- From the eFiling (Home) menu, select “Online Forms”.
- From the Existing Online Forms menu, click on the “Details” for the DFO Corrective Action Plan **L14-R-055**
- Go to the “Messages” tab
 - Select “Addendum to Final Report” (note this option will only be available for 10 days after the Final Report has been issued)
 - 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”
 - Click “Send Message”

As noted in the attached Final Report, no response is required from the Plan regarding this Report.

Questions or problems related to the electronic transmission of the response should be directed to Susan Levitt at (916) 255-2443 or email at Susan.Levitt@dmhc.ca.gov. You may also email inquiries to wpsso@dmhc.ca.gov.

The Department will make the attached Final Report available to the public in ten (10) days from the Plan's receipt of this letter through the eFiling system. The report will be located at the Department's web site at [View Department Issued Final Examination Reports](#).

If there are any questions regarding this Report, please contact me.

Sincerely,

ORIGINAL SIGNED BY

NED GENNAOUI
Senior Examiner (Supervisor)
Office of Financial Review
Division of Financial Oversight

cc: Deborah Espinal, Executive Director of Policy, Kaiser Foundation Health Plan, Inc.
Gil Riojas, Deputy Director, Office of Financial Review
Joan Larsen, Supervising Examiner, Division of Financial Oversight
Maria E. Marquez, Senior Examiner, Division of Financial Oversight
Barbara Yaklin, Monitoring Examiner, Division of Financial Oversight
Jenny Phillips, Licensing Counsel, Office of Plan Licensing
Kacey Kamrin, Licensing Counsel, Office of Plan Licensing
Laura Dooley Beile, Chief, Division of Plan Surveys

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

DIVISION OF FINANCIAL OVERSIGHT

**FINAL REPORT OF ROUTINE EXAMINATION
OF
KAISER FOUNDATION HEALTH PLAN, INC.**

FILE NO. 933 0055

DATE OF FINAL REPORT: OCTOBER 20, 2014

OVERSIGHT EXAMINER: NED GENNAOUI

EXAMINER-IN-CHARGE: MARIA E. MARQUEZ

FINANCIAL EXAMINERS:

JULIANA ASABOR

GALAL GADO

FRANCISCO GARCIA

SUHAG PATEL

**BACKGROUND INFORMATION FOR
KAISER FOUNDATION HEALTH PLAN, INC.**

Date Plan Licensed:	November 4, 1977
Organizational Structure:	<p>Kaiser Foundation Health Plan, Inc. (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. The other organizations are Kaiser Foundation Hospitals, The Permanente Medical Group, and Southern California Permanente Medical Group.</p> <p>The Plan's financial statements filed with the Department include the financial statements of Kaiser Foundation Health Plan, Inc. and subsidiaries, and Kaiser Foundation Hospitals and subsidiaries on a combined basis.</p>
Type of Plan:	Full service health plan providing a full range of health benefits, including hospitals, medical and prescription drug benefits to commercial, Medicare and Medi-Cal enrollees.
Provider Network:	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:	As of March 31, 2014, the Plan reported total enrollment of 7,328,572 members consisting of 4,418,534 commercial; 940,610 Medicare; and 1,969,428 Medi-Cal enrollees.
Service Area:	All major counties in California
Date of last Final Routine Examination Report:	January 31, 2011

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

This is the Final Report of a routine examination of the fiscal and administrative affairs of Kaiser Foundation Health Plan, Inc. (Plan), conducted by the Department of Managed Health Care (Department) pursuant to Section 1382(a) of the Knox-Keene Health Care Service Plan Act of 1975.¹

The Department examined the financial report filed with the Department for the quarter ended March 31, 2014, 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 the accompanying attachment, as follows:

Section I.	Financial Report
Section II.	Calculation of Tangible Net Equity

The Department found no deficiencies with respect to compliance with the Knox-Keene Act requirements. Therefore, no response is required from the Plan regarding this Final Report.

¹ References throughout this Report to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq. References to "Rule" are to the regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act, found at Chapter 2 of Division 1, Title 28, of the California Code of Regulations, beginning with Section 1300.43.

SECTION I. FINANCIAL REPORT

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the quarter ended March 31, 2014, as filed with the Department. A copy of the Plan's financial statements can be viewed at the Department's website by typing the link <http://wpso.dmhca.gov/fe/search.asp> and selecting Kaiser Foundation Health Plan, Inc. from the first drop down menu.

No response is required to this Section.

SECTION II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

Net Worth as Reported by the Plan as of the Quarter Ended March 31, 2014	\$24,136,879,000
Less: Intangible Assets and Goodwill	<u>39,602,000</u>
Tangible Net Equity	\$24,097,277,000
Required TNE	<u>1,326,925,000</u>
TNE Excess per Examination	<u>\$22,770,352,000</u>

The Plan is in compliance with the TNE requirement of Section 1376 and Rule 1300.76 as of March 31, 2014.

No response is required to this Section.