

## Return of Organization Exempt From Income Tax

2003

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

## A For the 2003 calendar year, or tax year beginning , 2003, and ending

## B Check if applicable

- ☐ Address change  
☐ Name change  
☐ Initial return  
☐ Final return  
☐ Amended return  
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

Number and street (or P.O. box if mail is not delivered to street address)

Room/suite

ONE KAISER PLAZA, SUITE 1550L

City or town, state or country, and ZIP + 4

OAKLAND, CA 94612

D Employer identification number  
93-0798039

E Telephone number

(510) 271-6611

F Accounting method: ☐ Cash ☒ Accrual

Other (specify) ▶

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Website: ▶ N/A

J Organization type (check only one) ☒ 501(c) (3) (Insert no.) ☐ 4947(a)(1) or ☐ 527K Check here ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) If "Yes," enter number of affiliates ▶

H(c) Are all affiliates included? (If "No," attach a list. See instructions.) ☐ Yes ☐ NoH(d) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No

I Group Exemption Number ▶

M Check ☒ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12. 1,553,068,347.

## Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions.)

1	Contributions, gifts, grants, and similar amounts received.			
a	Direct public support	1a		
b	Indirect public support	1b		
c	Government contributions (grants)	1c		
d	Total (add lines 1a through 1c) (cash \$ noncash \$ )	1d		
2	Program service revenue including government fees and contracts (from Part VII, line 93)	2		1,549,428,692.
3	Membership dues and assessments	3		
4	Interest on savings and temporary cash investments	4		
5	Dividends and interest from securities	5		
6a	Gross rents	6a		
b	Less: rental expenses	6b		
c	Net rental income or (loss) (subtract line 6b from line 6a)	6c		
7	Other investment income (describe )	7		3,248,523.
8a	Gross amount from sale of assets other than inventory	(A) Securities	8a	391,132.
b	Less: cost or other basis and sales expenses	(B) Other	8b	353,608.
c	Gain or (loss) (attach schedule)	8c		37,524.
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d		37,524.
9	Special events (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>			
a	Gross revenue (not including \$ of contributions reported on line 1a)	9a		
b	Less: direct expenses other than fundraising expenses	9b		
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c		
10a	Gross sales of inventory, less returns and allowances	10a		
b	Less: cost of goods sold	10b		
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c		
11	Other revenue (from Part VII, line 103)	11		
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12		1,552,714,739.
13	Program services (from line 44, column (B))	13		1,464,605,451.
14	Management and general (from line 44, column (C))	14		49,148,053.
15	Fundraising (from line 44, column (D))	15		
16	Payments to affiliates (attach schedule)	16		
17	Total expenses (add lines 16 and 44, column (A))	17		1,513,753,504.
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18		38,961,235.
19	Net assets or fund balances at beginning of year (from line 73, column (A))	19		201,914,584.
20	Other changes in net assets or fund balances (attach explanation) STMT. 1 STMT. 2	20		42,483,880.
21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21		283,359,699.

For Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2003)

**Part II Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 22 of the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
<b>22</b> Grants and allocations (attach schedule) (cash \$ <u>50,328</u> , noncash \$ _____)	<b>22</b> 50,328.	50,328.	STMT 3	
<b>23</b> Specific assistance to individuals (attach schedule)	<b>23</b>			
<b>24</b> Benefits paid to or for members (attach schedule)	<b>24</b>			
<b>25</b> Compensation of officers, directors, etc.	<b>25</b>			
<b>26</b> Other salaries and wages	<b>26</b> 271,031,075.	271,031,075.		
<b>27</b> Pension plan contributions	<b>27</b> 25,438,247.	25,438,247.		
<b>28</b> Other employee benefits	<b>28</b> 81,019,629.	81,019,629.		
<b>29</b> Payroll taxes	<b>29</b> 23,378,416.	23,378,416.		
<b>30</b> Professional fundraising fees	<b>30</b>			
<b>31</b> Accounting fees	<b>31</b> 604,491.	604,491.		
<b>32</b> Legal fees	<b>32</b> 297,504.	297,504.		
<b>33</b> Supplies	<b>33</b> 193,112,596.	193,112,596.		
<b>34</b> Telephone	<b>34</b> 615,092.	615,092.		
<b>35</b> Postage and shipping	<b>35</b> 4,914,468.	4,914,468.		
<b>36</b> Occupancy	<b>36</b> 9,295,044.	9,295,044.		
<b>37</b> Equipment rental and maintenance	<b>37</b> 4,305,723.	4,305,723.		
<b>38</b> Printing and publications	<b>38</b> 3,137,732.	3,137,732.		
<b>39</b> Travel	<b>39</b> 3,021,678.	3,021,678.		
<b>40</b> Conferences, conventions, and meetings	<b>40</b> 58,549.	58,549.		
<b>41</b> Interest	<b>41</b> 1,881.	1,881.		
<b>42</b> Depreciation, depletion, etc. (attach schedule)	<b>42</b> 23,668,387.	23,668,387.		
<b>43</b> Other expenses not covered above (itemize) <b>STMT 4</b>	<b>43a</b> 869,802,664.	820,654,611.	49,148,053.	
<b>b</b> _____	<b>43b</b>			
<b>c</b> _____	<b>43c</b>			
<b>d</b> _____	<b>43d</b>			
<b>e</b> _____	<b>43e</b>			
<b>44</b> Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	<b>44</b> 1,513,753,504.	1,464,605,451.	49,148,053.	

Joint Costs. Check ☐ if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☒ No

If "Yes," enter (i) the aggregate amount of these joint costs \$ NONE, (ii) the amount allocated to Program services \$ NONE, (iii) the amount allocated to Management and general \$ NONE, and (iv) the amount allocated to Fundraising \$ NONE

**Part III Statement of Program Service Accomplishments** (See page 25 of the instructions.)What is the organization's primary exempt purpose? **STMT 5**

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

**a** SEE PRIMARY EXEMPT PURPOSE STATEMENT

	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
<b>b</b> _____ (Grants and allocations \$ <u>50,328.</u> )	1,464,605,451.
<b>c</b> _____ (Grants and allocations \$ _____)	
<b>d</b> _____ (Grants and allocations \$ _____)	
<b>e</b> Other program services (attach schedule) (Grants and allocations \$ _____)	
<b>f</b> Total of Program Service Expenses (should equal line 44, column (B), Program services).	1,464,605,451.

**Part IV Balance Sheets** (See page 25 of the instructions.)**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year		
<b>Assets</b>	45 Cash - non-interest-bearing		6,399,360.	45	7,779,147.	
	46 Savings and temporary cash investments			46		
	47a Accounts receivable	47a	39,503,324.			
	b Less: allowance for doubtful accounts	47b	13,669,947.	32,255,566.	47c	25,833,377.
	48a Pledges receivable	48a				
	b Less: allowance for doubtful accounts	48b			48c	
	49 Grants receivable				49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)				50	
	51a Other notes and loans receivable (attach schedule)	STMT 6	51a	NONE		
	b Less: allowance for doubtful accounts	51b		2,033,254.	51c	NONE
	52 Inventories for sale or use			24,281,925.	52	21,808,771.
	53 Prepaid expenses and deferred charges	STMT 7		2,088,029.	53	2,175,117.
	54 Investments - securities (attach schedule)	<input checked="" type="checkbox"/> Cost <input type="checkbox"/> FMV		128,996.	54	27,394,511.
	55a Investments - land, buildings, and equipment: basis	55a				
	b Less: accumulated depreciation (attach schedule)	55b			55c	
56 Investments - other (attach schedule)	STMT 8		31,505,421.	56	3,152,731.	
57a Land, buildings, and equipment: basis	57a	404,557,657.				
b Less: accumulated depreciation (attach schedule)	STMT 10	57b	179,797,329.	229,404,249.	57c	224,760,328.
58 Other assets (describe <input type="checkbox"/> STMT 9 )			169,425,995.	58	244,417,295.	
59 <b>Total assets</b> (add lines 45 through 58) (must equal line 74)			497,522,795.	59	557,321,277.	
<b>Liabilities</b>	60 Accounts payable and accrued expenses		127,151,491.	60	124,035,170.	
	61 Grants payable			61		
	62 Deferred revenue	STMT 10		44,502,370.	62	46,850,874.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)				63	
	64a Tax-exempt bond liabilities (attach schedule)				64a	
	b Mortgages and other notes payable (attach schedule)				64b	
	65 Other liabilities (describe <input type="checkbox"/> STMT 11 )			123,954,350.	65	103,075,534.
66 <b>Total liabilities</b> (add lines 60 through 65)			295,608,211.	66	273,961,578.	
<b>Net Assets or Fund Balances</b>	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.					
	67 Unrestricted			67		
	68 Temporarily restricted			68		
	69 Permanently restricted			69		
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74.					
	70 Capital stock, trust principal, or current funds		2,912,722.	70	2,912,722.	
	71 Paid-in or capital surplus, or land, building, and equipment fund			71		
	72 Retained earnings, endowment, accumulated income, or other funds		199,001,862.	72	280,446,977.	
	73 <b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)		201,914,584.	73	283,359,699.	
	74 <b>Total liabilities and net assets / fund balances</b> (add lines 66 and 73)		497,522,795.	74	557,321,277.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

<b>Part IV-B</b>	<b>Reconciliation of Expenses per Audited Financial Statements with Expenses per Return</b>	<b>NOT APPLICABLE</b>
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**Part V** List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated; see page 27 of the instructions.)

**75** Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? ☒ Yes ☐ No  
If "Yes," attach schedule - see page 28 of the instructions. *See Statement 20*

**Part VI Other Information** (See page 28 of the instructions.)

	Yes	No
<b>76</b> Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity . . . . .	<b>76</b>	<b>X</b>
<b>77</b> Were any changes made in the organizing or governing documents but not reported to the IRS? <u>STMT 24</u> . . . . .	<b>77</b>	<b>X</b>
If "Yes," attach a conformed copy of the changes.		
<b>78a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? . . . . .	<b>78a</b>	<b>X</b>
<b>b</b> If "Yes," has it filed a tax return on Form 990-T for this year? . . . . .	<b>78b</b>	<b>X</b>
<b>79</b> Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement . . . . .	<b>79</b>	<b>X</b>
<b>80a</b> Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? . . . . .	<b>80a</b>	<b>X</b>
<b>b</b> If "Yes," enter the name of the organization <u>SEE ATTACHED SCHEDULE OF AFFILIATION AT STMT 21</u> . . . . .		
and check whether it is <input checked="" type="checkbox"/> exempt or <input checked="" type="checkbox"/> nonexempt.		
<b>81a</b> Enter direct and indirect political expenditures. See line 81 instructions. <u>81a</u> <b>NONE</b> . . . . .	<b>81a</b>	<b>NONE</b>
<b>b</b> Did the organization file Form 1120-POL for this year? . . . . .	<b>81b</b>	<b>X</b>
<b>82a</b> Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? . . . . .	<b>82a</b>	<b>X</b>
<b>b</b> If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) . . . . .	<b>82b</b>	<b>NONE</b>
<b>83a</b> Did the organization comply with the public inspection requirements for returns and exemption applications? . . . . .	<b>83a</b>	<b>X</b>
<b>b</b> Did the organization comply with the disclosure requirements relating to quid pro quo contributions? . . . . .	<b>83b</b>	<b>N/A</b>
<b>84a</b> Did the organization solicit any contributions or gifts that were not tax deductible? . . . . .	<b>84a</b>	<b>N/A</b>
<b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . .	<b>84b</b>	<b>N/A</b>
<b>85 501(c)(4), (5), or (6) organizations</b> <b>a</b> Were substantially all dues nondeductible by members? . . . . .	<b>85a</b>	<b>N/A</b>
<b>b</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less? . . . . .	<b>85b</b>	<b>N/A</b>
If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
<b>c</b> Dues, assessments, and similar amounts from members . . . . .	<b>85c</b>	<b>N/A</b>
<b>d</b> Section 162(e) lobbying and political expenditures . . . . .	<b>85d</b>	<b>N/A</b>
<b>e</b> Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices . . . . .	<b>85e</b>	<b>N/A</b>
<b>f</b> Taxable amount of lobbying and political expenditures (line 85d less 85e) . . . . .	<b>85f</b>	<b>N/A</b>
<b>g</b> Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? . . . . .	<b>85g</b>	<b>N/A</b>
<b>h</b> If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? . . . . .	<b>85h</b>	<b>N/A</b>
<b>86 501(c)(7) orgs</b> Enter: <b>a</b> Initiation fees and capital contributions included on line 12 . . . . .	<b>86a</b>	<b>N/A</b>
<b>b</b> Gross receipts, included on line 12, for public use of club facilities . . . . .	<b>86b</b>	<b>N/A</b>
<b>87 501(c)(12) orgs</b> Enter: <b>a</b> Gross income from members or shareholders . . . . .	<b>87a</b>	<b>N/A</b>
<b>b</b> Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them) . . . . .	<b>87b</b>	<b>N/A</b>
<b>88</b> At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX . . . . .	<b>88</b>	<b>X</b>
<b>89a 501(c)(3) organizations</b> Enter: Amount of tax imposed on the organization during the year under: section 4911 <u>NONE</u> ; section 4912 <u>NONE</u> ; section 4955 <u>NONE</u> . . . . .		
<b>b 501(c)(3) and 501(c)(4) orgs.</b> Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction . . . . .	<b>89b</b>	<b>X</b>
<b>c</b> Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 . . . . .		<b>NONE</b>
<b>d</b> Enter: Amount of tax on line 89c, above, reimbursed by the organization . . . . .		<b>NONE</b>
<b>90a</b> List the states with which a copy of this return is filed <u>OREGON AND WASHINGTON</u> . . . . .		
<b>b</b> Number of employees employed in the pay period that includes March 12, 2003 (See instructions) . . . . .	<b>90b</b>	<b>6757</b>
<b>91</b> The books are in care of <u>TAX DIRECTOR</u> . . . . . Telephone no <u>510.271.6385</u>		
Located at <u>ONE KAISER PLAZA, STE 1550L, OAKLAND, CA</u> . . . . . ZIP + 4 <u>94612</u>		
<b>92</b> Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 -Check here <input type="checkbox"/> . . . . .		
and enter the amount of tax-exempt interest received or accrued during the tax year . . . . .	<b>92</b>	<b>N/A</b>

Form 990 (2003)

**Part VII Analysis of Income-Producing Activities** (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a MBR HLTH CARE PREM	621400	680,729.			1,074,387,326.
b SUPPL CHARGES/PHARMACY					107,209,651.
c NON-PLAN & IND REV					12,660,230.
d OTHER PROGRAM SERV	621400	2,843,725.			18,889,116.
e					
f Medicare/Medicaid payments					332,757,915.
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income			14	3,248,523.	
100 Gain or (loss) from sales of assets other than inventory			18	37,524.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		3,524,454.		3,286,047.	1,545,904,238.
105 Total (add line 104, columns (B), (D), and (E))					1,552,714,739.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93	SEE ATTACHED STATEMENT OF REVENUE TYPE (STMT 22)

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 34 of the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☒ No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please  
Sign  
Here

Signature of officer

Date 11-4-04

Deborah S. Jones VP Controller

Date

11/3/04

Check if  
self-  
employed ☐

Preparer's SSN or PTIN (See Gen. Inst. W)

P00365375

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information - (See separate instructions.)**

► **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2003**

Name of the organization **KAISER FOUNDATION HEALTH PLAN OF THE  
NORTHWEST**

Employer identification number

**93-0798039**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
STATEMENT 23				
Total number of other employees paid over \$50,000	1,903			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NORTHWEST PERMANENTE PC		
500 NE MULTNOMAH ST, PORTLAND OR 97232	MEDICAL SERVICES	243545593.
KAISER FOUNDATION HOSPITALS		
500 NE MULTNOMAH ST, PORTLAND, OR 97232	HOSPITAL SERVICES	280044141.
PERMANENTE DENTAL ASSOCIATES		
500 NE MULTNOMAH ST., PORTLAND OR 97232	DENTAL SERVICES	29316368.
ST JOHN MEDICAL CENTER		
1614 E KESSLER BLVD, LONGVIEW WA 98632	HOSPITAL SERVICES	14382214.
OREGON HEALTH & SCIENCE UNIVERSITY		
3181 SW SAM JACKSON PARK RD, PORTLAND OR	HOSPITAL SERVICES	12469090.
Total number of others receiving over \$50,000 for professional services	234	

For Paperwork Reduction Act Notice, see the Instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990 or 990-EZ) 2003

JSA

**Part III Statements About Activities** (See page 2 of the instructions.)

		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ <u>156,082</u> . (Must equal amounts on line 38, Part VI-A, or line I of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1	X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a	Sale, exchange, or leasing of property? . . . . . STMT. 12	2a	X
b	Lending of money or other extension of credit? . . . . . STMT. 13	2b	X
c	Furnishing of goods, services, or facilities? . . . . . STMT. 14	2c	X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? . . . . . STMT. 15	2d	X
e	Transfer of any part of its income or assets? . . . . .	2e	X
3a	Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.) . . . . .	3a	X
b	Do you have a section 403(b) annuity plan for your employees? . . . . .	3b	X
4	Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds? . . . . .	4	X

**Part IV Reason for Non-Private Foundation Status** (See pages 3 through 6 of the instructions.)

The organization is not a private foundation because it is. (Please check only ONE applicable box.)

- 5 ☐ A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 ☐ A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 ☐ A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 ☐ A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 ☐ A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ► \_\_\_\_\_
- 10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b ☐ A community trust. Section 170(b)(1)(A)(v). (Also complete the **Support Schedule** in Part IV-A.)
- 12 ☒ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See page 6 of the instructions.)



**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.****Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in) . . . . .	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28) . . . . .					
<b>16</b> Membership fees received . . . . .					
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose . . . . .	1445409657.	1254881529.	1110328529.	1031433687.	4842053402.
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975 . . . . .	8,039,919.	13,855,517.	16,515,370.	17,729,540.	56,140,346.
<b>19</b> Net income from unrelated business activities not included in line 18 . . . . .					
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf . . . . .					
<b>21</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge . . . . .					
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets . . . . .					
<b>23</b> Total of lines 15 through 22 . . . . .	1453449576.	1268737046.	1126843899.	1049163227.	4898193748.
<b>24</b> Line 23 minus line 17 . . . . .	8,039,919.	13,855,517.	16,515,370.	17,729,540.	56,140,346.
<b>25</b> Enter 1% of line 23 . . . . .	14,534,496.	12,687,370.	11,268,439.	10,491,632.	
<b>26</b> Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24 <b>NOT APPLICABLE</b> . . . . .					<b>26a</b>
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1999 through 2002 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts . . . . .					<b>26b</b>
c Total support for section 509(a)(1) test: Enter line 24, column (e) . . . . .					<b>26c</b>
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____ . . . . .					<b>26d</b>
e Public support (line 26c minus line 26d total) . . . . .					<b>26e</b>
f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) . . . . .					<b>26f</b> %
<b>27</b> Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2002) _____ (2001) _____ (2000) _____ (1999) _____ b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year. (2002) _____ (2001) _____ (2000) _____ (1999) _____ c Add. Amounts from column (e) for lines: 15 _____ 16 _____ 17 <b>4842053402.</b> 20 _____ 21 _____ . . . . .					<b>27c</b> 4842053402.
d Add. Line 27a total _____ and line 27b total _____ . . . . .					<b>27d</b>
e Public support (line 27c total minus line 27d total) . . . . .					<b>27e</b> 4842053402.
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e) . . . . .					<b>27f</b> 4898193748.
g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) . . . . .					<b>27g</b> 98.8539 %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)). . . . .					<b>27h</b> 1.1461 %
<b>28</b> Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1999 through 2002, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15 . . . . .					

**Part V Private School Questionnaire** (See page 7 of the instructions.)

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

NOT APPLICABLE

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body? . . . . .	29	
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships? . . . . .	30	
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? . . . . . If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement )	31	
	-----		
	-----		
	-----		
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff? . . . . .	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? . . . . .	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? . . . . .	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? . . . . .	32d	
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
	-----		
	-----		
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges? . . . . .	33a	
b	Admissions policies? . . . . .	33b	
c	Employment of faculty or administrative staff? . . . . .	33c	
d	Scholarships or other financial assistance? . . . . .	33d	
e	Educational policies? . . . . .	33e	
f	Use of facilities? . . . . .	33f	
g	Athletic programs? . . . . .	33g	
h	Other extracurricular activities? . . . . .	33h	
	If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement.)		
	-----		
	-----		
	-----		
34a	Does the organization receive any financial aid or assistance from a governmental agency? . . . . .	34a	
b	Has the organization's right to such aid ever been revoked or suspended? . . . . . If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev. Proc 75-50, 1975-2 C B. 587, covering racial nondiscrimination? If "No," attach an explanation . . . . .	35	

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions.)(To be completed **ONLY** by an eligible organization that filed Form 5768) **NOT APPLICABLE**Check ☐ **a** if the organization belongs to an affiliated group. Check ☐ **b** if you checked "a" and "limited control" provisions apply.**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred.)

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
<b>36</b> Total lobbying expenditures to influence public opinion (grassroots lobbying) . . .	<b>36</b>		
<b>37</b> Total lobbying expenditures to influence a legislative body (direct lobbying) . . .	<b>37</b>		
<b>38</b> Total lobbying expenditures (add lines 36 and 37) . . . . .	<b>38</b>		
<b>39</b> Other exempt purpose expenditures . . . . .	<b>39</b>		
<b>40</b> Total exempt purpose expenditures (add lines 38 and 39) . . . . .	<b>40</b>		
<b>41</b> Lobbying nontaxable amount. Enter the amount from the following table - If the amount on line 40 is - The lobbying nontaxable amount is -			
Not over \$500,000 . . . . . 20% of the amount on line 40 . . . . .	<b>41</b>		
Over \$500,000 but not over \$1,000,000 . . . \$100,000 plus 15% of the excess over \$500,000			
Over \$1,000,000 but not over \$1,500,000 . . . \$175,000 plus 10% of the excess over \$1,000,000			
Over \$1,500,000 but not over \$17,000,000 . . . \$225,000 plus 5% of the excess over \$1,500,000			
Over \$17,000,000 . . . . . \$1,000,000			
<b>42</b> Grassroots nontaxable amount (enter 25% of line 41) . . . . .	<b>42</b>		
<b>43</b> Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36 . . . . .	<b>43</b>		
<b>44</b> Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38 . . . . .	<b>44</b>		

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.

See the instructions for lines 45 through 50 on page 11 of the instructions.)

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
<b>Calendar year (or fiscal year beginning in) ▶</b>	<b>(a) 2003</b>	<b>(b) 2002</b>	<b>(c) 2001</b>	<b>(d) 2000</b>	<b>(e) Total</b>
Lobbying nontaxable					
<b>45</b> amount . . . . .					
Lobbying ceiling amount					
<b>46</b> (150% of line 45(e)) . .					
<b>47</b> Total lobbying expenditures					
Grassroots nontaxable					
<b>48</b> amount . . . . .					
Grassroots ceiling amount					
<b>49</b> (150% of line 48(e)) . .					
Grassroots lobbying					
<b>50</b> expenditures . . . . .					

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 12 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of.

	Yes	No	Amount
<b>a</b> Volunteers . . . . .		X	STMT 16 NONE
<b>b</b> Paid staff or management (Include compensation in expenses reported on lines c through h.) . . .	X		
<b>c</b> Media advertisements . . . . .		X	
<b>d</b> Mailings to members, legislators, or the public . . . . .		X	
<b>e</b> Publications, or published or broadcast statements . . . . .	X		1,014.
<b>f</b> Grants to other organizations for lobbying purposes . . . . .		X	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body . . . . .	X		155,068.
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means . . . . .		X	
<b>i</b> Total lobbying expenditures (Add lines c through h) . . . . .			156,082.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

**Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations** (See page 12 of the instructions.)

**51** Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

**a Transfers from the reporting organization to a noncharitable exempt organization of:**

Yes	No
-----	----

No
----

(i) **Cash**

**51a(i)**

x

(ii) Other assets

**a(ii)**

	1
X	

**b Other transactions:**

**(i) Sales or exchanges of assets with a noncharitable exempt organization**

b(i)

**x**

**(ii) Purchases of assets from a noncharitable exempt organization**

b(ii)

	X
--	---

**(iii) Rental of facilities, equipment, or other assets**

b(iii)

	X
--	---

**(iv) Reimbursement arrangements**

**b(iv)**

	X
--	---

**(v) Loans or loan guarantees**

$$b(v)$$

	X
--	---

**(vi) Performance of services or membership or fundraising solicitations**

**b(vi)**

**X**

**c Sharing of facilities, equipment, mailing lists, other assets, or paid employees**

**C**

**X**

**d** If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received:

[illegible]

**52a** Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

► ☐ Yes ☒ No

**b** If "Yes," complete the following schedule:

[illegible]

- If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II and check this box ☒ **Note: Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.**
- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

**Part II Additional (not automatic) 3-Month Extension of Time — Must File Original and One Copy.**

Type or print File by the extended due date for filing the return. See instructions.	Name of Exempt Organization	Employer identification number
	KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST	93-0798039
	Number, street, and room or suite no. If a P.O. box, see instructions.	For IRS use only
	ONE KAISER PLAZA, SUITE 1550	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	
	OAKLAND CA 94612	

Check type of return to be filed (File a separate application for each return):

- ☒ Form 990 ☐ Form 990-EZ ☐ Form 990-T (sec. 401(a) or 408(a) trust) ☐ Form 1041-A ☐ Form 5227 ☐ Form 8870
- ☐ Form 990-BL ☐ Form 990-PF ☐ Form 990-T (trust other than above) ☐ Form 4720 ☐ Form 6069

**STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 4 I request an additional 3-month extension of time until NOVEMBER 15, 20 04.
- 5 For calendar year 2003, or other tax year beginning \_\_\_\_\_, 20 \_\_\_\_ and ending \_\_\_\_\_, 20 \_\_\_\_.
- 6 If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period
- 7 State in detail why you need the extension THIS ENTITY IS A MEMBER OF A VERTICALLY INTEGRATED MANAGED HEALTH CARE DELIVERY PROGRAM AND REQUESTS ADDITIONAL TIME TO VERIFY THAT EACH MEMBER'S TAX RETURN DATA IS COMPLETE.
- 8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ NONE
- b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ \_\_\_\_\_
- c Balance Due. Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ 0.00

**Signature and Verification**

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature *Deborah Steiner* Title VICE PRESIDENT/CONTROLLER Date 08/3/2004**Notice to Applicant — To Be Completed by the IRS**

- ☒ We have approved this application. Please attach this form to the organization's return.
- ☐ We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return
- ☐ We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension **AUG 18 2004** not granting a 10-day grace period.
- ☐ We cannot consider this application because it was filed after the due date of the return for which an extension was requested.
- ☐ Other \_\_\_\_\_, FIELD DIRECTOR, SUBMISSION PROCESSING, OGDEN

Director \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_

**Alternate Mailing Address** — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

Type or print	Name	<b>RECEIVED</b> <b>AUG 27 2004</b> <b>PROGRAM OFFICES</b> <b>CONTROLLER'S DEPT</b>
	Number and street (include suite, room, or apt. no.) Or a P.O. box number	
	City or town, province or state, and country (including postal or ZIP code)	

FORM 990, PART I - OTHER INCREASES IN FUND BALANCES  
=====DESCRIPTION  
-----AMOUNT  
-----

RESERVE FOR MINIMUM PENSION LIABILITY

42,870,833.  
-----

TOTAL

42,870,833.  
=====

FORM 990, PART I - OTHER DECREASES IN FUND BALANCES  
=====DESCRIPTION  
-----AMOUNT  
-----

CHANGE IN UNREALIZED LOSS ON INVESTMENT

386,953.

TOTAL

-----  
386,953.  
=====

## FORM 990, PART II - GRANTS AND ALLOCATIONS PAID DURING THE YEAR

## RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR

AND

## FOUNDATION STATUS OF RECIPIENT

## RECIPIENT NAME AND ADDRESS

## PURPOSE OF GRANT OR CONTRIBUTION

## AMOUNT

## GRANTS PAID

PACIFIC UNIVERSITY

2043 COLLEGE WAY

FOREST GROVE, OR 97116

N/A

509(A)(1)

DENTAL PROGRAM

25,000.

VARIOUS GRANTS LESS THAN \$5K EACH

N/A

VARIOUS

GENERAL FUND

25,328.

## TOTAL CONTRIBUTIONS PAID

50,328.



## FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL
-----	-----	-----	-----
PURCHASED MEDICAL SRVCS - BCP	582511001.	582511001.	
PURCHASED MEDICAL SRVCS - OUTS	13392197.	13392197.	
PURCHASED SERVICES	156413458.	156413458.	
PROF & PUBLIC LIABILITY INS	15859997.	15859997.	
OTHER INSURANCE	306,591.	306,591.	
INFORMATION TECH SERVICES	56501419.	56501419.	
PROVISION FOR DOUBTFUL ACCTS	5,051,719.	5,051,719.	
BUSINESS LICENSE & TAXES	8,045,079.	8,045,079.	
PROPERTY TAXES	4,115,038.	4,115,038.	
EMPLOYEE DEVELOPMENT	2,070,297.	2,070,297.	
EMPLOYEE RELATED EXPENSE	1,116,702.	1,116,702.	
BROKER COMMISSION	9,678,093.	9,678,093.	
ADVERTISING & MARKETING	1,234,186.	1,234,186.	
INTER-REGIONAL CHARGES	8,465,030.	8,465,030.	
SHARED SERVICES	2,967,649.	2,967,649.	
BANK CHARGES	799,361.	799,361.	
DUES & SUBSCRIPTION	655,767.	655,767.	
PUBLIC/COMMUNITY RELATIONS	87,170.	87,170.	
CHARITABLE CARE EXP	149,960.	149,960.	
PATIENT EDUCATION	236,540.	236,540.	
OUTSIDE SUBS RECEIPTS	145,410.	145,410.	
ALLOCATED ADMIN EXPENSES		-49148053.	49148053.
	-----	-----	-----
TOTALS	869802664.	820654611.	49148053.
	=====	=====	=====

**FORM 990, PART III - ORGANIZATION'S PRIMARY EXEMPT PURPOSE**  
=====

THE PRIMARY EXEMPT PURPOSE OF KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST (HEALTH PLAN), AN OREGON NOT-FOR-PROFIT CORPORATION ORGANIZED FOR THE PUBLIC BENEFIT AND GENERALLY EXEMPT FROM INCOME TAX UNDER INTERNAL REVENUE CODE SECTION 510(C)(3), AND COMPARABLE STATE STATUTES, IS TO PROVIDE A PROGRAM OF HEALTH CARE AND MEDICAL SERVICES AS A PREPAID DIRECT CARE GROUP PRACTICE HEALTH MAINTENANCE ORGANIZATION.

HEALTH PLAN IS A SUBSIDIARY OF KAISER FOUNDATION HEALTH PLAN, INC. AN ORGANIZATION ALSO EXEMPT FROM TAX UNDER INTERNAL REVENUE CODE SECTION 510(C)(3). HEALTH PLAN CONTRACTED WITH KAISER FOUNDATION HOSPITALS (HOSPITALS); NORTHWEST PERMANENTE PC AND PERMANENTE DENTAL ASSOCIATES (MEDICAL GROUPS) TO PROVIDE OR ARRANGE FOR HOSPITAL, MEDICAL AND DENTAL SERVICES FOR ITS MEMBERS. CONTRACT PAYMENTS TO HOSPITALS AND MEDICAL GROUPS REPRESENT A SUBSTANTIAL PORTION OF THE EXPENSES FOR MEDICAL, DENTAL AND HOSPITAL SERVICES REPORTED IN THIS TAX RETURN.

PLEASE SEE THE ATTACHMENT, "KAISER PERMANENTE COMMUNITY BENEFIT REPORT FOR KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST FOR 2003". THIS REPORT WILL PROVIDE A DESCRIPTION OF ACTIVITIES CONDUCTED BY HEALTH PLAN IN THE ACCOMPLISHMENT OF ITS EXEMPT PURPOSES AND FOR THE BENEFIT OF THE COMMUNITY IN WHICH IT CONDUCTS ITS ACTIVITIES.



**KAISER PERMANENTE®**

**COMMUNITY BENEFIT REPORT  
FOR  
KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST  
FY 2003**

***For Attachment to the  
Internal Revenue Service Form 990  
Return of Organization Exempt from Income Tax***

*Page 1 of 24  
STATEMENT 5  
(CONTINUED)*



# KAISER PERMANENTE®

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>3..</b>
<b>KAISER PERMANENTE'S COMMITMENT TO THE COMMUNITY.....</b>	<b>4</b>
<b>COMMUNITY BENEFIT PROVIDED BY KAISER FOUNDATION HEALTH PLAN, INC.....</b>	<b>6</b>
<b>COMMUNITY BENEFIT PROVIDED BY KAISER FOUNDATION HOSPITALS.....</b>	<b>8</b>
<b>THE COMMUNITY BENEFIT PROGRAM IN THE NORTHWEST REGION.....</b>	<b>8</b>
<b>VULNERABLE POPULATIONS.....</b>	<b>9.</b>
<b>MEDICAL CARE SERVICES</b>	
<i>Charitable Care.....</i>	<i>9..</i>
<i>Dues Subsidy Programs.....</i>	<i>9.</i>
<i>Participation in Medicaid and Other Publicly Financed Programs.....</i>	<i>10</i>
<b>COMMUNITY-BASED PROGRAMS</b>	
<i>Grants &amp; Donations for Community Health Partnerships.....</i>	<i>11</i>
<i>Youth and Other Employment Programs.....</i>	<i>12</i>
<b>EVIDENCE-BASED MEDICINE.....</b>	<b>12</b>
<i>Health Services Research.....</i>	<i>12</i>
<i>Clinical Research.....</i>	<i>17</i>
<i>Medical Libraries.....</i>	<i>17</i>
<i>Tumor Board and Cancer Registry.....</i>	<i>18</i>
<b>EDUCATION.....</b>	<b>18</b>
<b>CONSUMERS</b>	
<i>Health Education Activities.....</i>	<i>18</i>
<i>Grants &amp; Donations for Consumer Health Education.....</i>	<i>18</i>
<b>HEALTH CARE PROFESSIONALS</b>	
<i>Continuing Medical Education.....</i>	<i>19</i>
<i>Graduate Medical Education.....</i>	<i>20</i>
<i>Nurse Practitioner and Other Non-Physician Training Programs.....</i>	<i>20</i>
<b>PUBLIC POLICY .....</b>	<b>21</b>
<b>OTHER COMMUNITY BENEFITS.....</b>	<b>22</b>
<b>ATTACHMENT A - National Community Benefit Financials.....</b>	<b>23</b>
<b>ATTACHMENT B - Regional Health Plan &amp; Hospital Financials .....</b>	<b>24</b>

## INTRODUCTION

Kaiser Foundation Health Plan of the Northwest (“Northwest Health Plan”) is a tax-exempt subsidiary health plan of Kaiser Foundation Health Plan, Inc. Kaiser Foundation Health Plan, Inc. (KFHP), with its five principal operating tax-exempt subsidiary health plans (Kaiser Foundation Health Plan of Colorado, Kaiser Foundation Health Plan of Georgia, Inc., Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc., Kaiser Foundation Health Plan of the Northwest, and Kaiser Foundation Health Plan of Ohio) as well as Kaiser Foundation Hospitals (KFH) are nonprofit corporations that are part of the integrated health care delivery system known as the Kaiser Permanente Medical Care Program (“Kaiser Permanente”).

In 2003, Kaiser Permanente served over 8.2 million people in 9 states (California, Colorado, Georgia, Hawaii, Maryland, Ohio, Oregon, Virginia and Washington) and the District of Columbia. The program is the largest private nonprofit health care program in the United States and has more than 109,000 full time equivalent (FTE) employees and over 11,000 contracting physicians. In the Northwest Region, the Health Plan served 435,000 medical members and 167,000 dental member through 737 Permanente physicians, 122 Permanente dentists and 8,100 clinical, administrative and technical employees.

This report describes the structure of Kaiser Permanente and documents the national community benefit activities, programs and services of KFHP and its subsidiaries, and KFH (combined), and the specific community benefit provided for Health Plan and KFH in the Northwest Region.

Kaiser Permanente is not just a financial arrangement, but is an integrated health care delivery system that combines the provision and financing of health care services. People who elect to enroll in Kaiser Permanente receive a full range of prepaid health care services, including hospital care, professional care in hospitals and physicians' offices, x-ray and laboratory services, physical therapy, emergency, ambulance, and preventive services, health education, and certain prescribed drugs. More comprehensive drug coverage is also provided through a separate coverage rider.

In the Northwest Region, four separate legal organizations comprise Kaiser Permanente: Northwest Health Plan, an Oregon nonprofit corporation and federally qualified health maintenance organization providing federally qualified and non-federally qualified health benefit plans exempt from federal income tax under Internal Revenue Code §501(c)(3); KFH, a California nonprofit public benefit corporation exempt from federal income tax under Internal Revenue Code §501(c)(3); Northwest Permanente Physicians, PC (“Northwest Permanente Physicians”), an independent multi-specialty group of physicians organized as a professional corporation, and the Permanente Dental Associates, PC, an independent multi-specialty group of dentists organized as a professional corporation.

Persons enroll in Kaiser Permanente through KFHP or one of its subsidiaries ("Health Plan"). Health Plan provides and arranges comprehensive health care services for members on a predominantly prepaid basis and fulfills its contractual obligations to group and individual members by contracting with KFHP, Northwest Permanente Physicians and Permanente Dental Associates to provide the required health care and covered dental services.

Members receive services from various Permanente Medical Groups in the respective Kaiser Permanente regions. In the Northwest, Permanente Physicians and Permanente Dental Associates accept responsibility for professional care of Health Plan members, are responsible for their own physician and dentist recruitment, selection and staffing, and are legally separate entities independent from Health Plan, KFHP and each other. Northwest Permanente Physicians and Permanente Dental Associates treat members in facilities owned, leased or contracted by Health Plan or KFHP.

KFHP and KFHP are separate corporations governed by identical boards of directors. KFHP accepts responsibility to provide or arrange necessary hospital services and facilities for Health Plan members. In the Northwest Region, KFHP owns and operates the Kaiser Permanente Sunnyside Medical Center, a nonprofit community hospital in Oregon providing emergency and inpatient services to all persons in the community. Staff privileges are available on a nondiscriminatory basis to physicians in the communities served. KFHP also contracts with other community hospitals to provide hospital services to members for specialized care and other services.

Membership in KFHP and its health plan subsidiaries is available without regard to sex, race, religion, ethnic background, sexual orientation, occupational status or income level. Health Plan members are broadly representative of the various ages, social, and income groups within the areas served. Once enrolled, a member is free to maintain membership regardless of age, health status or employment.

## **KAISER PERMANENTE'S COMMITMENT TO THE COMMUNITY**

Through the Kaiser Permanente mission, the organization contributes to the health of the communities in two related ways. First, Kaiser Permanente strives for excellence in serving its more than eight million members through market leading performance in quality, service and affordability. By doing so, Kaiser Permanente raises the bar for the performance of all healthcare organizations, benefits more people as it grows, provides a discipline in the marketplace by demonstrating meaningful value, and affordability, and generates resources to reinvest in the community's health.

Second, Kaiser Permanente directly invests in improvements to its communities' health, working to increase access for the underserved, disseminate care improvements, alter the social determinants of health, and inform public policy.

This latter approach, which Kaiser Permanente calls the Direct Community Benefit Investment Program (DCBI), is fundamental to being a nonprofit organization. It embodies the organization's commitment to improve the health of communities beyond services to Health Plan members. It is more than traditional corporate citizenship or corporate philanthropy. It is an intentional, planned, budgeted, measurable, accountable creation of better health in our communities. It is done in collaboration with, not isolation from, the community. DCBI fulfills Kaiser Permanente's social purpose, justifies its tax-exempt status, and differentiates it from other healthcare organizations.

This tradition of community benefit dates from the earliest days of the Program, when charitable care to non-employees, and later, non-members, was initiated. That heritage has continued through the years in Kaiser Permanente's early participation in publicly financed programs such as Medicaid and Medicare, establishment of residency training and medical research programs, and later in the development of the Educational Theatre, Community Health Partnerships and Dues Subsidy programs.

In 2001, the Board reaffirmed DCBI as a national program and set the following four goals:

- Address critical questions in American health care that the Program's history, culture and competencies position it uniquely to examine;
- Build the reputation of Kaiser Permanente for its leadership in helping solve major health challenges;
- Create a program that engages the creativity and spirit of the people of Kaiser Permanente at all levels; and
- Meet the requirements placed on KFH, KFHP, and its subsidiary health plans as tax-exempt organizations that return value to the communities served beyond the provision of health care to members.

The Board directed that this new DCBI program be guided by a national strategy, with continued local flexibility and implementation, supported by national and regional funding pools, and built on the organization's integrated healthcare system. Community benefit investments are concentrated in four areas:

- *Vulnerable Populations* – Address the financing and delivery problems of populations that are vulnerable because of socioeconomic status, illness, ethnicity, age, or other disabling factors;
- *Evidence-based Medicine* – Develop and communicate the evidence basis to determine what form of medical care works, for which patients and populations, under what circumstances, at what cost and in which delivery settings;

- **Education** – Evaluate and demonstrate educational models for the health professions in integrated care systems, and for health care consumers for managing their own health and obtaining health care services; and
- **Public Policy** – Develop and disseminate public policy information that reflects the interests of the nation as a whole.

The Board elaborated that at least 75% of total community benefit funding will be directed to the Program priorities within the four focus areas, and the remaining 25% of funding will be directed by local Regions to respond to local community benefit needs and opportunities that may or may not be within the four key focus areas.

As part of the new approach, the Board also approved the formation of a national Community Benefit Governance Council, a standing community benefit committee of the Board of Directors to oversee the new program, and designated a national executive of KFHP and KFH to lead Kaiser Permanente's Community Benefit Program as a full time assignment. Raymond J. Baxter, PhD is the Senior Vice President of Community Benefit.

#### **COMMUNITY BENEFIT PROVIDED BY KAISER FOUNDATION HEALTH PLAN, INC.**

KFHP's primary social mission is the organization and provision of comprehensive health care services on a prepaid basis through an integrated health care delivery system, available to the community as a whole. Because the Health Plan is a nonprofit organization, revenues that exceed the cost of operations and provision of care are used to benefit members through improved facilities and service, increase benefits, and maintain affordable rates rather than to pay dividends to stockholders. Providing affordable, high quality, comprehensive health benefits coverage and care that emphasizes prevention helps to minimize medical indigence and contributes to quality of life in the communities we serve.

To be in a position to best serve the community by providing affordable, comprehensive health care and support its social mission, KFHP is organized and operated as a fully integrated delivery system.

- **Integrated Services and Facilities** – KFHP has organized and integrated the professional and physical resources required to provide comprehensive health care. In hospital-based Kaiser Permanente Regions, this care primarily occurs at major medical centers, as well as at nearby outpatient medical offices owned by KFH and at medical office buildings owned or leased by KFHP. Our members typically have available in one place all the services and professional care they require which facilitates a coordinated approach to care. Equipment and supporting personnel are shared and high-technology services such as neurosurgery, open heart surgery, and cancer treatment centers are also centralized to facilitate development and transfer of best clinical practices among all Permanente providers.



- **Group Practice** – Contracting Permanente Medical Groups are organized into large multi-specialty group practices that take responsibility for providing comprehensive care to a defined population in facilities owned or leased by KFHP. The income that Permanente Medical Groups and their physicians receive is in consideration of their professional medical and related services. The amounts paid to the Permanente Medical Groups are negotiated annually. By altering the direct relationship between service performed and income received, KFHP removes incentives to perform unneeded services, and encourages use of the most appropriate medical care. Group practice enhances quality and appropriateness of care for members and for the community by facilitating development and sharing of “best clinical practices” throughout the community and across the nation.
- **Prepayment** – Generally, KFHP pays the Permanente Medical Groups a per capita payment that does not vary with the amount of service provided. Permanente Medical Group physicians are not compensated on a fee-for-service basis.
- **Comprehensive Benefits** – KFHP provides coverage for unlimited hospital days, physician visits, preventive services, immunizations, well-baby care and prenatal care for most plans. Enrollees pay limited copayments at amounts that protect members from substantial out-of-pocket costs. Comprehensive prepaid coverage removes or minimizes financial barriers to care promoting early consultation, detection and treatment of disease. KFHP actively encourages members to maintain their health through regular preventive self-care. In addition to improving quality of life of the individuals and their families, this reduces uncompensated care and prevents medical indigence by encouraging and financing preventive medical care at the most effective and appropriate level.
- **No Pre-existing Condition Exclusions** – Pre-existing condition exclusions allow carriers to exclude from coverage care for a condition that existed before enrollment with the carrier. KFHP imposes no pre-existing condition exclusions and thereby provides substantial protection for new members who are ill at time of enrollment. KFHP offered health benefits coverage in all its markets without any pre-existing condition exclusions for many years prior to recently enacted federal and state statutes prohibiting pre-existing condition exclusions in certain markets. By ensuring that all our enrollees are covered for all their medical needs, we reduce the amount of uncompensated care, promote the health of our members, and prevent medical indigence.
- **Participation in Medicare** – KFHP has participated in Medicare since it was first implemented in 1965. KFHP and its subsidiaries enrolled approximately 860,000 Medicare beneficiaries, providing Medicare Part A and Part B services, plus additional drug, optical and inpatient coverage.

- **Participation in Medicaid** – KFHP began enrolling Medicaid beneficiaries in the mid-1960. Currently, KFHP and certain of its subsidiaries provide care to over 125,000 Medicaid managed care members and serve a large number of Medicare and Medicaid patients on a fee-for-service basis.

## **COMMUNITY BENEFIT PROVIDED BY KAISER FOUNDATION HOSPITALS**

KFH's principal purpose is to provide inpatient medical and surgical care, extended care and home health care to members of the public without regard to age, sex, race, religion, or national origin. KFHP's general community benefits are:

- **Emergency departments** – KFHP operates full-time emergency departments in each of its 27 licensed hospitals (including three licensed hospitals with multiple campuses) in California, Hawaii and Oregon. Emergency medical services are available to all individuals regardless of their ability to pay.
- **Care provided to all insured patients** – Hospital care is provided to individuals with health care coverage from any private or government-sponsored health plan.
- **Open Medical Staff Privileges** – Staff privileges in the hospitals are available to community practitioners who are not affiliated with a Permanente Medical Group.
- **Board of Directors** – KFHP and KFHP have identical 14 member Boards of Directors. The Board is comprised of individuals from the academic world and private industry who are representative of the community at large. George C. Halvorson serves as the Chairman and Chief Executive Officer for the KFHP and KFHP Boards of Directors.
- **Reinvestment of Surplus Revenues** – KFHP pays KFHP for hospital services, and all surplus revenues are reinvested for capital replacement or expansion of facilities and equipment, debt amortization, improvement in patient care and services, and medical education and research.

## **THE COMMUNITY BENEFIT PROGRAM IN THE NORTHWEST REGION**

In 2003, KFHP and KFHP spent approximately \$641 million or approximately 2.5% of revenue, to support the Community Benefit Program in the community. In the Northwest Region, the Northwest Health Plan and KFHP spent approximately \$31.4 million, of which \$17.4 million is allocable to Northwest Health Plan and \$14 million is allocable to KFHP. A breakdown of the 2003 DCBI dollars attributable to KFHP and KFHP nationally is described in Attachment A and those dollars attributable to the Northwest Health Plan and KFHP regionally in Attachment B.

The following showcases many of the signature community benefit programs and services funded by both Northwest Health Plan and KFHP, in the Northwest Region, according to the national focus areas:

## **VULNERABLE POPULATIONS**

In 2003, the Northwest Health Plan and KFH spent \$24.3 million to address the financing and delivery of health and social problems of populations vulnerable because of socio-economic status, illness, ethnicity, age or other factors. Of that amount, approximately \$16.6 million is attributed to Health Plan and \$7.7 million is attributed to KFH. The following describes many of the DCBI programs and services provided to vulnerable populations in Oregon and Washington.

### **MEDICAL CARE SERVICES**

In the Northwest Region, the Northwest Health Plan and KFH spent approximately \$24 million to provide a variety of medical care services to under- and uninsured residents in Oregon and Washington. Approximately, \$16.6 million is attributed to the Northwest Health Plan and \$7.3 million is attributed to KFH. A more complete description of the DCBI attributable to the Northwest Health Plan and KFH is described below:

#### ***Charitable Care***

In the Northwest Region, the Northwest Health Plan and KFH spent approximately \$2.1 million to assist patients with limited resources to pay for care provided in Kaiser Permanente facilities. Of this amount, approximately \$122 thousand is attributed to Health Plan. The charity care program referred to as the *Financial Assistance Program* helps families and individuals that are unable to meet all or part of the cost of healthcare services and supplies. Over 1,700 patients, both members and non-members, with household incomes below 150% of the Federal Poverty Level qualified for such assistance in 2003.

#### ***Dues Subsidy Programs***

The Northwest Health Plan spent over \$5.2 million to provide subsidized coverage to some 7,000 low-income adults and children who are not eligible for standard Medicaid or privately funded coverage. The Dues Subsidy Program consists of the Oregon Health Plan (OHP), Non-Categorical, Transitions, and Washington Basic Health Plan (Additional Benefits-Subsidized Program).

- **The Oregon Health Plan, Non-Categorical** provides health coverage to persons under 100% of the Federal Poverty Level and who do not otherwise qualify for Medicaid as a categorical client. The program is operated under a federal waiver between the State of Oregon and the Federal Government. The average membership during 2003 was approximately 524 persons per month.
- **Transitions** provides health care to students participating in the Single Parent Displaced Homemaker Program (and their dependents) enrolled in job re-training programs at the following community colleges: Portland Community College – Rock Creek and Cascade, Linn-Benton Community College, Mt. Hood Community College, Clackamas Community College and Chemeketa Community

College. Over 460 persons per month were covered in 2003. Coverage is available for 24 months with extensions granted under certain circumstances.

- **The Washington Basic Health Plan** (Additional Benefits-Subsidized Program) provides basic health care coverage to low-income persons who do not qualify for Medicaid or Medicare and fall below 200% of the Federal Poverty Level through a contract with the Washington State Health Care Authority. With average monthly membership of over 2,300 persons, Washington Basic Health Plan's standard benefit package is enhanced with additional preventive care benefits valued at approximately \$40 per member per month.

***Participation in Medicaid and Other Publicly Financed Programs***

The Northwest Health Plan and KFH spent more than \$16.5 million on medical services for individuals participating in one of the following government sponsored programs: the Oregon Health Plan, Oregon Medicaid Fee-for-Service, the Washington Basic Health Plus and Washington's Maternity Benefits Program. Of this amount, approximately \$12.9 million was spent by the Northwest Health Plan and \$3.6 million was spent by KFH.

- **Oregon Health Plan** – Between January 1, 2003 and June 30, 2003, the Northwest Health Plan and KFH served approximately 4,200 Oregon Health Plan members on a prepaid basis. Kaiser Permanente members who had been enrolled in the Oregon Health Plan prior to June 30, 2003 maintained their coverage through the year on a Medicaid Fee-for-Service basis under an agreement with Oregon's Office of Medical Assistance Programs. The Northwest Health Plan anticipates reentering an Oregon Health Plan prepaid service contract during the summer of 2004.
- **Washington Basic Health Plus** – Basic Health Plus is the Washington Medicaid program for children under the age of 19. Basic Health members that have children who are enrolled in Basic Health Plus are cared for by Kaiser Permanente in the Northwest. The average monthly enrollment for this program was approximately 200 members.
- **Washington (WA) Maternity Benefits Program** – The WA Maternity Benefits program is a Medicaid program for pregnant women who are Basic Health members and meet the eligibility guidelines for Medicaid. The Northwest Region serves women enrolled in Basic Health who become pregnant under this program. The average monthly enrollment for this program was approximately 100 members.
- The Northwest Health Plan paid over \$4 million in assessments to the **Oregon Medical Insurance Pool (OMIP)** and the **Washington State Health Insurance Pool (WSHIP)**. The funds helped defray the underwriting losses incurred by both pools as a result of the health profiles of individuals who enroll in these public programs. Neither OMIP nor WSHIP contracts with the Northwest Region to

serve pool enrollees. Consequently, the Northwest Health Plan's contributions inure to the benefit of enrolled individuals and the community health systems they utilize for their health care.

## **COMMUNITY-BASED PROGRAMS**

KFH in the Northwest Region spent approximately \$332 thousand to provide a variety of programs to non-members who live and work in the communities we serve.

### ***Grants & Donations for Community Health Partnerships***

During 2003, KFH spent approximately \$307 thousand in community benefit funds to support community-based organizations that deliver direct medical/dental care services to uninsured people in a community setting, mainly safety net clinics in Oregon and Washington. In addition, some of the grants supported community health collaboratives and health screenings mainly focused on children. Below are examples of the community-based organizations supported by these grants.

- The North Portland Nurse Practitioner Clinic provides comprehensive pediatric health care for a culturally diverse population within Portland's inner city. Primary care services are provided to children from birth to age 21, and include prevention, wellness education, health maintenance and treatment of minor acute illnesses. About 71% of the hundreds of children served were uninsured. The clinic's staff reflects the community and includes several fluent in Spanish.
- The Wallace Medical Concern, Rockwood Clinic in East Multnomah County (Portland) serves a diverse population of people who are uninsured or face other barriers to health care. This clinic has operated at capacity since opening five years ago. More than 1,000 visits a year were recorded. Many of the people who visit the evening clinic are from the local Latino community, and are uninsured adults or teens. Services include urgent care, simple lab tests, medications and Spanish/English interpreters.
- The Free Clinic of S.W. Washington receives no federal funding and relies on foundation and other means for funding to operate. It was developed 13 years ago based on a volunteer model. This free walk-in clinic offers basic medical care for low-income and the uninsured population. The Northwest Region also supports this organization with physician and non-physician volunteers.
- SmileSavers is a dental outreach program in S.W. Washington that provides dental care services to low-income children from families who can't afford dental insurance. A grant supported 56 patient visits.
- The Multnomah Education Services District's School Health Services Program provides on-site health screenings for low-income elementary and middle school students in several Multnomah County school districts (the largest school district in Oregon).

- KFH Northwest supports Folk-time, a transition daycare program for adults faced with serious and persistent mental illnesses. Clients learn and practice social skills, gain confidence in their recovery, and make friendships to provide a support system. This program extends the traditionally small network of family/health care providers to build a social network for chronically mentally ill persons. The Northwest Region also supports this organization with a physician volunteer.

### ***Youth and Other Employment Programs***

In the Northwest Region, KFH spent approximately \$25 thousand to fund youth and other employment programs aimed at improving the education and job skills of, or providing employment opportunities for, targeted populations.

- KFH Northwest is a partner with **INROADS**, an organization focused on developing minority college students for leadership roles in corporations and in the community. One INROADS student was employed in the Northwest during 2003. Northwest staff also volunteers to lead weekend career development workshops for the students.
- KFH Northwest also supported Self-Enhancement, Inc. (SEI) students who participate in in-school, after-school, weekend and summer education programs. SEI supports youth most at risk for going unnoticed and forgotten in the classroom, at home or on the streets. Funding from the Northwest has helped support a ninth-grade class at Jefferson High School, an inner-city school with a high drop-out rate. One hundred percent of the Self-Enhancement students within Jefferson graduated in 2003.

### **EVIDENCE-BASED MEDICINE**

From the beginning, research has been a core value at Kaiser Permanente. In 2003, Kaiser Permanente conducted more research than any other non-academic institution in the United States and partnered with several prominent academic research institutions including Harvard, Stanford University, the National Institutes of Health and the Centers for Disease Control and Prevention. KFH in the Northwest Region spent approximately \$3.7 million to support clinical and health research activities.

#### ***Health Services Research***

For more than 40 years, Kaiser Permanente researchers have leveraged modest grants financed through its community service budget into major discoveries that have served our communities, influenced national policy, and informed medical practice throughout the nation and the world.

Community Benefit funds support research that meets important medical and social needs, such as preventing violence, infectious disease, and improving health care for adolescents, youth and underserved populations. Many of our research studies address problems of current health policy interest, are designed to improve care for

common conditions where treatment is often linked to community-based efforts, and are broadly disseminated through articles and professional presentations.

The Center for Health Research (CHR), the primary research department in the Northwest Region, partnered with 26 academic institutions and 24 nonprofit agencies and private foundations in 2003. Academic partners included Duke University, Oregon Health & Science University, Oregon Research Institute, Portland State University, Penn State, University of California San Francisco, University of North Carolina at Chapel Hill and University of Washington. Nonprofit and private foundation partners included Self-Enhancement, Inc., Northwest Portland Area Indian Health Board, Robert Wood Johnson Foundation, American Diabetes Foundation, Agency for Health Care Research and Quality, and the National Institutes of Health. During 2003, the CHR conducted 226 new or continuing research projects. Examples of the studies include:

- **Women's Health Initiative (WHI):** This is the largest study of women's health issues to be undertaken in the United States. A 40-center study, the WHI started in late 1994 and enrolled 163,000 postmenopausal women nationwide in two studies: a multi-factor randomized clinical trial and an observational study. The clinical trial examines the effects of low-fat diets in preventing heart disease and breast and colon cancer; the effects of hormone replacement therapy on heart disease and osteoporotic fractures; and the effects of calcium and vitamin D in preventing colon cancer and osteoporotic fractures. The observational study examines how genetics, environmental factors, and lifestyle affect women's health, and it attempts to identify biological markers that predict heart disease, cancer, and osteoporosis. Final results are expected to be available in 2007. Two arms of the study – the use of estrogen and Progestin and the use of estrogen alone for women without a uterus – have been stopped early because results showed that the risks of long-term hormone use outweighed the benefits. Because of these findings, use of hormones is now recommended for short-term relief of severe menopausal symptoms and is not recommended for long-term use to prevent heart disease.
- **Study of Osteoporotic Fractures (SOF):** This is a four-center study funded by the National Institute of Arthritis and Musculoskeletal and Skin Diseases. SOF is a prospective cohort study of a group of initially healthy women, 65 years or older, to determine what factors lead to the development of osteoporosis. This study identifies risk factors for hip and wrist fractures and changes in bone density. SOF began in 1986 with the recruitment and examination of more than 9,700 women 65 years or older; the study also examines how changes in bone density affect the risk of fractures, as well as what factors predict changes in bone density. SOF is currently funded through July 2006. Results from SOF over the past 18 years have led to changes in national guidelines for osteoporosis screening.

- **Internet-Based Interventions for Youth Disorders (IIP):** This development grant from the National Institute of Mental Health uses the Internet to develop and test two self-help, skills-training programs. The first program teaches depressed adolescents the skills to overcome negative and unrealistic thinking patterns that contribute to depression. The second program trains parents in the skills and techniques to address disruptive behaviors in their children ages 2 to 8. The first step is to develop the infrastructure necessary to implement these skill-training sites and integrate them with more traditional health care delivery in several representative settings.
- **Iron Overload and Hereditary Hemochromatosis Study (HEIRS):** This study, funded by the National Heart, Lung and Blood Institute, is to gather information about the prevalence, genetic and environmental determinants, and potential clinical, personal, and societal impact of iron overload and hereditary hemochromatosis, in order to assess the feasibility and benefit-risk balance for population-based screening for iron overload and hereditary hemochromatosis. The population for HEIRS is drawn from Kaiser Permanente Northwest and Hawaii, which together serve as a single Field Center in this national multi-center trial. Cases, controls, and genetically “at-risk” individuals will be asked to participate in a clinical assessment to evaluate other causes of iron overload, clinical manifestations of iron overload, and factors that may affect expression of hemochromatosis predisposition. Those genetically “at-risk” or with primary iron overload (hemochromatosis) will be asked to participate in a family study of hemochromatosis. Individuals will be followed longitudinally for hemochromatosis-related health outcomes and mortality. Studies will evaluate the individual and family impacts of biochemical and/or genetic screening for hemochromatosis.
- **Family-Based Care for Frail Older Persons (PREP II):** Families contribute substantial time and financial resources to care for their frail elders. While there are several studies documenting the high costs of caregiving for elders with diseases such as Alzheimer's and Parkinson's, little is known about the cost or types of family care activities that occur in a general Medicare-aged population in the United States. The Family Care Study is an ongoing, randomized, controlled, efficacy trial of PREP (PREparedness, Enrichment, and Predictability), a home health intervention designed to help caregivers and care receivers. PREP is distinguished by its family focus and has three parts: (1) the family and nurse working together on family care issues, (2) a 24-hour PREP advice line, and (3) follow-up contact by a nurse. A description of the care issues identified by PREP families will be produced to develop strategies for resolving issues, and determine if PREP increases a caregiver's skill as compared to two other usual care interventions. An earlier PREP pilot study at the CHR refined the model that is now being tested by the Family Care Study.



- **Better Outcomes of Asthma Treatment (BOAT):** This study develops and evaluates the effectiveness of a new model of clinician-patient interaction, shared decision-making, in improving outcomes in adults aged 18-70 years with poorly controlled, mild to moderate persistent asthma. BOAT will compare the shared decision-making model in a randomized, controlled clinical trial with a model based on national asthma guidelines and with usual care. Patients in the two intervention groups will each meet with a care manager for two 1-hour sessions, review their management plan reviewed and modified as necessary using the model for their group assignment, and will be called at three, six, and nine months. Participants, drawn from KP Northwest and Hawaii, will be followed for two years, with outcome data collected at 12 and 24 months. Primary outcomes of interest are asthma-related quality of life and acute asthma health care. Secondary outcomes will be asthma control, adherence, symptom-free days, lung function, dispensing of asthma medications, satisfaction with asthma care, asthma-related costs, and total asthma-related health care utilization. If effective, this model can be incorporated into clinical practice to improve asthma outcomes and reduce costs.

In 2003, 184 presentations and briefings were made at scientific meetings, conferences and other community presentations to non-KP audiences and 124 articles were published in peer-review journals from investigators at the CHR, including:

- **Psychotropic Drug Use Among Pre-School Children:** Recent studies showing a steep rise in psychiatric drug prescriptions to young children and adolescents have fueled controversies about whether such drugs are being prescribed responsibly or whether they are being overprescribed. This study, published in the February 10, 2003 issue of *Archives of Pediatrics and Adolescent Medicine*, is the first to provide information that can help settle these controversies. The study of 38,664 children ages 2-5 who received care from Kaiser Permanente Northwest in 1997 and 1998 showed that psychiatric drugs were infrequently prescribed (0.31% received these drugs), were generally prescribed to children with severe emotional and behavioral problems, and were usually provided in conjunction with mental health or behavioral management services. Psychiatric drugs were prescribed to one in six children who received a diagnosis of emotional or behavioral problems (2% of the study population received such a diagnosis). The most common diagnosis (80%) was attention deficit hyperactivity disorder (ADHD) alone or in combination with other problems, and stimulants such as Ritalin were the most commonly prescribed drug. The average time between diagnosis and first prescription was six months. The vast majority of children and parents (82%) received some form of mental health or behavioral management/parenting services.
- **Health Outcomes of Smoking:** The Centers for Disease Control and Prevention (CDC) published its first study in September of how many Americans suffer illnesses related to smoking. The study showed that 8.6 million current and former smokers suffer from 12.7 million serious illnesses (many people have

multiple conditions). The most common smoking-related disease is chronic bronchitis, affecting nearly 50% of current smokers and more than a 25% of former smokers. Emphysema affects 24 % of current and former smokers, and about 19 % have survived a smoking-related heart attack. The study did not provide state-by-state breakdowns, but CHR researcher Jeffrey Fellows (one of the study's co-authors) used to study's methodology to estimate that 100,000 Oregonians suffer from smoking-related diseases.

- **Young Adults with Type 2 Diabetes at Huge Risk for Heart Attacks and Stroke:** Nearly 25 percent of all people diagnosed with type 2 diabetes in 2000 were young adults (age 18-44), and young adults were the fastest growing adult group with diabetes during the past decade. This study showed that young adults who develop type 2 diabetes are 14 times more likely to suffer a heart attack than their peers without diabetes, and up to 30 times more likely to have a stroke. Young women with diabetes accounted for almost all of the increased risk for heart attacks, but young men were twice as likely as young women to suffer a stroke. Huge numbers of people are going to get heart disease, heart attacks, and strokes years, sometimes even decades, before they would if they didn't get diabetes or didn't get it until after age 45. It appears that early-onset diabetes may be a different and more aggressive kind of diabetes than usual-onset diabetes in terms of cardiac health, so we may have to treat it more aggressively. Younger adults will need help adopting lifestyle changes – losing weight, getting more exercise, eating a healthy diet – that can prevent or delay diabetes. The study appeared in the November 2003 issue of *Diabetes Care*.
- **Child Bearing Reduces Risk of Hip Fractures Later in Life:** This study, appearing in the May issue of the *Journal of Bone and Mineral Research*, showed that women who have never given birth to a child have a 44% greater risk of hip fractures when they become elderly than women who did have a child. Among women who did have a child, each additional birth reduced their hip fracture risk by 9%. The study also found that the increased risk of hip fracture is not related to bone mineral density levels – both groups of women had nearly identical density levels. The fact that both groups of women had the same density levels means that physicians will not be able to rely on measuring bone mineral density to assess a childless woman's future risk of hip fracture. This also means it is important for a childless woman approaching menopause to discuss with her physician ways of reducing her risk of osteoporosis.
- **Gaps in Osteoporosis Treatment:** This study that nearly 54% of older women who suffered a fracture – a strong indicator of osteoporosis – were not evaluated or treated for osteoporosis, as recommended by both national and KPNW clinical guidelines. Of the 3,812 women aged 50 and over who had a new fracture diagnosed between January 1998 and July 2001, more than 95%t did not receive a bone mineral density (BMD) measurement. Nearly 55% did not receive medications for osteoporosis after their fractures were diagnosed. Compared to the women who received recommended care, women who did not receive

evaluation or treatment were older, weighed less, and had more fractures of the hip, wrist, and humerus. Women who received recommended care were more like to have had fractures of the spine and to take steroid medications chronically. The study appeared in the December 2003 issue of *The Journal of Bone and Joint Surgery*.

- **Reducing Blood Pressure without Medications:** Results of a study called PREMIER, appearing in the April 23, 2003 issue of the *Journal of the American Medical Association*, showed that people in the study who made the greatest number of lifestyle changes – including losing weight, adopting a heart-healthy eating plan known as the DASH diet, reducing salt and other forms of sodium, increasing physical activity, and limiting alcohol consumption – had the greatest reduction in blood pressure (on average, a drop of 11.1 mm Hg in systolic blood pressure and a drop of 6.4 mm Hg in diastolic). People who made these changes also had the greatest weight loss – 13 pounds on average. These results show that people can make multiple lifestyle changes at the same time and that making these changes lowers blood pressure as much as a single medication can achieve.

### ***Clinical Research***

The Northwest Permanente Medical Group also conducted 106 research trials lead by physicians who are not employees of the CHR. One hundred of the studies are oncology clinical trials; 130 patients are currently being treated, and another 700 are under continued surveillance for their ongoing health status. An example of one of the treatment studies is the Prostate Cancer Prevention Trial (PCPT).

- On March 3, 2003, the Data and Safety Monitoring Committee for the Prostate Cancer Prevention Trial sponsored by the National Cancer Institute reported that there was overwhelming evidence that the drug finasteride works. This is the first study to show that a drug can reduce the rate of prostate cancer in healthy men. The data show that the men in the finasteride group who were evaluated were 24.8% less likely to develop prostate cancer when compared to the men evaluated who were in the placebo group. The study data also suggested a note of caution. Although men in the finasteride group had fewer cancers overall, they had a greater number of high-grade (Gleason 7-10) prostate cancers. In the entire group of men assigned to finasteride who were evaluated, 6.4% had high-grade cancers while 5.1% of men evaluated in the placebo group had high-grade cancers. The Oncology Research Department and 39 Kaiser Permanente members participated in this seven-year study. The Oncology Research Department received national recognition of excellence for its diligence in providing important end of study data.

### ***Medical Libraries***

KFH in the Northwest Region spent \$267,000 to support over 6,000 requests for clinical, health and related information services. These services allow medical staff and the greater professional community access to health-related research conducted within and

outside of Kaiser Permanente. Thirty percent of the service requests came from outside of Health Plan and KFH.

### ***Tumor Board and Cancer Registry***

KFH in the Northwest Region spent over \$921,000 to support the Tumor Board and Cancer Registry. In the Northwest Region, the collection of specific cancer patient data is sent to the state at particular intervals after diagnosis. Each patient is followed on an annual basis for the remainder of his or her life. The information is electronically sent each month to the National Cancer Database and Oregon State Cancer Registry.

## **EDUCATION**

The Northwest Health Plan and KFH spent over \$3 million to educate consumers and health care professionals during 2003 in the Northwest Region. Of this amount, approximately \$845 thousand is attributed to Health Plan and \$2.2 million is attributed to KFH. A more complete description attributable to the Northwest Health Plan and KFH is described below:

### **CONSUMERS**

The Northwest Health Plan and KFH spent over \$1 million on community health and education programs in the Northwest Region.

### ***Health Education Activities***

During 2003, KFH in the Northwest spent over \$203,000 to provide health education classes, events and services to both members and the general public. The Health Education Department staffed booths at local health fairs; conducted smoking cessation, weight loss and parenting classes; and hosted a series of seminars on health-related topics such as diabetes, stress management, and managing chronic illness. The following are examples of other health education activities:

- The KFH Northwest's Health Education Department participated in several health fairs throughout the year. The two major events, the Senior Expo and American Diabetes Association Diabetes Expo, focused on exercise and fitness for senior citizens and people with chronic illnesses. Both events drew thousands of people from the community.
- Community benefit funds supported 1,115 classes/events, served 96,000 individuals in community, schools or job-based programs on a wide range of health issues and topics.

### ***Grants & Donations for Consumer Health Education***

In 2003, the Northwest Health Plan donated \$845 thousand to more than 38 community-based organizations to support health education programs in the Northwest Region. The American Diabetes Association, American Heart Association, African American Health Coalition, Clackamas Women's Services, Cascade AIDS Project and the United Way of the Columbia received financial support for their health education and

prevention services. The following highlights examples of programs and services funded during 2003.

- The American Lung Association “Reach the Beach Clean Air Bicycle Challenge” is a 103-mile bicycle ride. The Northwest Health Plan served as the title sponsor of this major fundraising event and contributed financially as well as through in-kind donations. Many Kaiser Permanente employees and physicians volunteered for the event. They staff the first aid booths and several Northwest Permanente physicians rode the course as medical riders to help any injured cyclists. Through the partnership, the Northwest Region has been an ally in efforts to fight tobacco use, the asthma epidemic, and to promote clean air. Almost 2,000 people participated in this one-day event.
- The Tualatin Valley Centers Foster Care Services Program receives support from the Northwest Region for an education and training program for some of the most at-risk children in the community – foster children. Many have been taken from their natural parents because of neglect, drug and alcohol abuse, or criminal activities. This program focuses on children, ages 2-18 and their foster parents or other caregivers and includes a wide range of services from mental health assessments and treatment planning, play and talk therapy, and medication management.
- Community Choices 2010’s mission is “A Healthy Engaged Community” and focuses on involving Clark County (Washington) residents in shaping and improving the health of their community. Through collaboration and education, the organization has noted improvements in several categories: access to health care, economic well-being, youth, injury and violence, physical and mental well-being, and has compiled the findings in a report card to let the residents now how their community is doing in these key areas.
- Used equipment and supplies, primarily CPUs, monitors, printers, laptops and servers, were donated to community computer firms that recycle electronics for distribution to local school systems in the service area. The donations were inventoried upon distribution and valued according to the recommendations of the Excess Surplus Advisory Committee.

## **HEALTH CARE PROFESSIONALS**

KFH in the Northwest spent approximately \$2 million to support the training and education of physicians and other healthcare providers.

### ***Continuing Medical Education***

KFH spent approximately \$334,000 in providing continuing medical education to community physicians and providers, and to the physicians affiliated with the Permanente Medical Groups and other health care providers. A wide range of

continuing education programs were offered during 2003, with over 13,717 attendees and 2118 continuing education units (CEU) earned.

***Graduate Medical Education***

KFH in the Northwest spent nearly \$1.7 million on graduate medical education to educate 194 residents and fellows (25.6 FTE). Over 50% (98) of these residents and fellows were studying within the primary care medicine areas of Internal Medicine, Pediatrics, Obstetrics & Gynecology and Public Health with the balance (96) in specialty care such as General Surgery, Pathology, Dermatology, Podiatry and Urology. Included in the above paid rotations were 18 fellows who received training in the areas of Gastroenterology, Internal Medicine, Pulmonology and Mental Health. An additional 80 unpaid residents and fellows received training in Dermatology, Endocrinology, Family Practice, Internal Medicine, Geriatrics, Genetics, Obstetrics & Gynecology, Otolaryngology, Pathology, Pediatrics and Podiatry.

***Nurse Practitioner and Non-Physician Training Programs***

KFH in the Northwest provided on-site clinical training for students in podiatry, nurse practitioner, midwife, optometrist, physician assistant and behavioral health programs. During academic year 2002-2003, the Graduate Medical Education Department provided administrative support to students pursuing a career in the health care field. The participating programs are listed below:

**Nurse Practitioner Programs:**

- Washington State University, Nurse Practitioner Program
- University of Portland, Nurse Practitioner Program
- Western University of Health Sciences, Nurse Practitioner Program
- Oregon Health & Science University, Nurse Practitioner Program

**Physician Assistant Programs:**

- Oregon Health & Science University, Physician Assistant Program
- Pacific University, Physician Assistant Program

**Behavioral Health Professionals:**

- Portland State University, School of Clinical Social Work
- George Fox University, School of Social Work
- Lewis & Clark University, Addiction Medicine Program

**Optometry:**

- Pacific University, School of Optometry

**Podiatry:**

- Barry University
- Temple University
- William School College of Podiatric Medicine
- California College of Podiatric Medicine
- Des Moines University, College of Podiatric Medicine

## **PUBLIC POLICY**

During 2003, the Northwest Health Plan and KFH used its expertise and convening power to develop and disseminate information on health policy issues that reflect both the interest of the country and residents of Oregon and Washington. The Northwest Region was active in providing information that informs public policy as it relates to improving community health. The following demonstrates a few of the Northwest Region's leadership and representation on the following boards and advisory committees that influenced and/or improved public health policy.

- The Foundation for Medical Excellence promotes quality healthcare and influences health policy through physician education, leadership training, research and other collaborative efforts that improve physician-patient communication, enhance physician well-being and improve the quality of healthcare.
- Oregon Medical Insurance Pool (OMIP) is a component of the Oregon Health Plan and offers four different major medical health benefit plans to residents who have been denied coverage because of health conditions in the individual health insurance market. OMIP also provides access for certain residents eligible for portability. In 2003, Denise Honzel, representing the Northwest Region, chaired OMIP.
- Health Insurance Reform Advisory Committee (HIRAC) advises the Director of the Department of Consumer and Business Services in the Oregon Insurance Division of the form and level of coverage under the basic health benefits plans to be made available by small employer carriers and portability health benefits plans. HIRAC identifies and resolves conflicts over policy issues, and builds wider public support for critical elements of health insurance reform.
- Oregon Medicaid Advisory Committee advises the Medicaid agency about health and medical services. The committee participates in policy development and program administration, including furthering the participation of recipient members in the Medicaid program.
- Children First for Oregon is an organization dedicated to the well-being of children in Oregon and a voice for change through research, public education and policy initiatives. The main audiences for Children First are the media, legislature, and local communities. The program published briefs regarding hunger and nutrition in 2003, which were shared with children's service providers, advocates and decision-makers throughout the state of Oregon.
- The City Club of Portland Oregon is a research based civic organization dedicated to community service, public affairs and leadership development. Through forums, citizen-based research reports, special programs, and issue committees, the Club examines issues of importance to the Portland metropolitan

region, the state and society as a whole. In 2003, Bill Kramer, representing the Northwest Region chaired the Program Committee.

### **OTHER COMMUNITY BENEFITS**

Over \$331,000 was spent on other community benefits by KFH in the Northwest. Examples of other community benefit programs and services are listed below:

- KFH in the Northwest has a long-time relationship with the Urban League of Portland as a corporate partner and as a supporter of their programs. This social service and civil rights organization uses funds to support a multicultural senior center, education advocacy for grades K-12, a youth leadership program, and an employment program. The Northwest also supported the Urban League by participation in the annual Career Fair, where participants are given information on health careers and current employment opportunities.
- EarthShare of Oregon and Washington, is a nonprofit coalition of environmental organizations with a goal to preserve and protect the environment. The Northwest Region supports this coalition with a grant each year and recognizes the link between a healthy environment and human health. Staff in the Northwest support EarthShare as part of the annual community giving campaign.



**ATTACHMENT A****DIRECT COMMUNITY BENEFIT INVESTMENT PROGRAM  
2003 NATIONAL COMMUNITY BENEFIT FINANCIALS**

The following chart summarizes 2003 community benefit invested nationally for KFHP, its subsidiaries and for KFH. The investments in the community reflected in the chart are unaudited.

<b>CB PRIORITY AREAS</b>	<b>NATIONAL HEALTH PLAN TOTAL</b>	<b>NATIONAL HOSPITAL TOTAL</b>	<b>NATIONAL CB TOTAL</b>
<b>VULNERABLE POPULATIONS</b>			
Medical Care Services	313,330,186	215,084,539	528,414,725
Community-Based Programs	1,380,345	7,567,827	8,948,172
Other Vulnerable Populations	91,136	1,743,906	1,835,042
<i>Subtotal:</i>	<i>314,801,667</i>	<i>224,396,272</i>	<i>539,197,939</i>
<b>EVIDENCE-BASE</b>			
Research	1,753,506	16,986,739	18,740,245
Medical Libraries	73,463	6,527,547	6,601,010
Tumor Board & Cancer Registry	272,012	4,470,852	4,742,864
<i>Subtotal:</i>	<i>2,098,981</i>	<i>27,985,138</i>	<i>30,084,119</i>
<b>EDUCATION</b>			
Consumer	3,701,884	7,233,105	10,934,989
Health Professionals	5,213,496	46,095,639	51,309,135
<i>Subtotal:</i>	<i>8,915,380</i>	<i>53,328,744</i>	<i>62,244,124</i>
<b>PUBLIC POLICY</b>			
Public Policy Grants/Expenses	1,451,872	879,835	2,331,707
<i>Subtotal:</i>	<i>1,451,872</i>	<i>879,835</i>	<i>2,331,707</i>
<b>OTHER COMMUNITY BENEFITS</b>			
Other CB Grants/Expense	3,222,399	3,248,712	6,471,111
United Way	142,097	212,109	354,206
<i>Subtotal:</i>	<i>3,364,496</i>	<i>3,460,821</i>	<i>6,825,317</i>
<b>TOTAL</b>	<b>\$330,632,396</b>	<b>\$310,050,810</b>	<b>\$640,683,206</b>

**ATTACHMENT B****DIRECT COMMUNITY BENEFIT INVESTMENT PROGRAM  
2003 NORTHWEST REGIONAL COMMUNITY BENEFIT FINANCIALS**

The following chart summarizes 2003 community benefit invested by Health Plan of the Northwest and for KFH. The investments in the community reflected in the chart are unaudited.

<b>CB PRIORITY AREAS</b>	<b>REGION HEALTH PLAN TOTAL</b>	<b>REGION KFH TOTAL*</b>	<b>REGION CB TOTAL</b>
<b>VULNERABLE POPULATIONS</b>			
Medical Care Services	\$16,632,183	\$7,328,999	\$23,961,182
Community-Based Programs	0	331,858	331,858
<i>Subtotal:</i>	<i>16,632,183</i>	<i>7,660,857</i>	<i>24,293,040</i>
<b>EVIDENCE-BASED MEDICINE</b>			
Research	0	2,475,791	2,475,791
Medical Libraries	0	266,802	266,802
Tumor Board & Cancer Registry	0	921,227	921,227
<i>Subtotal:</i>	<i>0</i>	<i>3,663,820</i>	<i>3,663,820</i>
<b>EDUCATION</b>			
Consumers	845,300	203,404	1,048,704
Health Professionals	0	2,039,461	2,039,461
<i>Subtotal:</i>	<i>845,300</i>	<i>2,242,865</i>	<i>3,088,165</i>
<b>OTHER COMMUNITY BENEFITS</b>			
Other CB Grants/Expenses	0	285,801	285,801
United Way	0	45,628	45,628
<i>Subtotal:</i>	<i>0</i>	<i>331,429</i>	<i>331,429</i>
<b>TOTAL</b>	<b>\$17,477,483</b>	<b>\$13,898,971</b>	<b>\$31,376,454</b>

\*Regional KFH expenditures.

FORM 990, PART IV - OTHER NOTES AND LOANS RECEIVABLE  
=====

BORROWER: KAISER PERMANENTE HEALTH ALTERNATIVE  
ORIGINAL AMOUNT: 1,450,000.  
REPAYMENT TERMS: PAYABLE ON DEMAND  
SECURITY PROVIDED: UNSECURED  
PURPOSE OF LOAN: WORKING CAPITAL

BEGINNING BALANCE DUE .....	2,033,254.
ENDING BALANCE DUE .....	NONE
	-----

TOTAL BEGINNING OTHER NOTES AND LOANS RECEIVABLE	2,033,254.
	=====

TOTAL ENDING OTHER NOTES AND LOANS RECEIVABLES	NONE
	=====

FORM 990, PART IV - PREPAID EXPENSES AND DEFERRED CHARGES  
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
PREPAID EXPENSE	2,088,029.	2,175,117.
	-----	-----
TOTALS	2,088,029.	2,175,117.
	=====	=====

FORM 990, PART IV - INVESTMENTS - OTHER  
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
KAIVEST I LLC	30,120,837.	NONE
MARKETABLE SECURITIES	1,384,584.	3,152,731.
	-----	-----
TOTALS	31,505,421.	3,152,731.
	=====	=====

FORM 990, PART IV - OTHER ASSETS  
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
DUE FROM KAISER AFFILIATED HP	152,267,706.	198,644,498.
INTANGIBLE PENSION ASSETS	16,784,876.	45,371,822.
OTHER LONG TERM ASSETS	373,413.	400,975.
	-----	-----
TOTALS	169,425,995.	244,417,295.
	=====	=====

FORM 990, PART IV - DEFERRED REVENUE  
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
DEFERRED REV - MEMBERS DUES	14,937,285.	16,258,441.
DEFERRED REV - MEDICARE	27,835,380.	28,247,281.
DEFERRED REV - OTHER	1,729,705.	2,345,152.
	-----	-----
TOTALS	44,502,370.	46,850,874.
	=====	=====

FORM 990, PART IV - OTHER LIABILITIES  
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
RESERVE FOR UNCLAIMED PROPERTY	156,776.	92,904.
RESERVE FOR SELF INSURED RISKS	9,911,366.	9,629,298.
RESERVE FOR PROF & PUBLIC LIAB	17,501,013.	17,297,894.
RESERVE FOR WORKERS COMP RISK	2,048,827.	2,877,059.
DEFINED PENSION LIABILITY LT	55,062,748.	NONE
DEFINED PENSION LIABILITY	38,081,910.	54,364,991.
POST RETIREMENT BENEFIT LIAB	1,191,710.	4,560,000.
OTHER LIABILITIES AFFILIATES	NONE	13,263,336.
OTHER LIABILITIES & DEPOSITS	NONE	990,052.
	-----	-----
TOTALS	123,954,350.	103,075,534.
	=====	=====



SCHEDULE A, PART III - EXPLANATION FOR LINE 2A  
=====

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST (HEALTH PLAN) WAS AFFILIATED WITH OTHER ORGANIZATIONS, EXEMPT AND NON-EXEMPT. DURING THE YEAR, IN THE NORMAL COURSE OF BUSINESS IN CARRYING OUT THE EXEMPT CHARITABLE CARE PURPOSE OF THE ORGANIZATION, HEALTH PLAN MAY HAVE ENTERED INTO LEASES, THE EXTENSION OF CREDIT, AND/OR THE FURNISHING OF SERVICES, GOODS AND/OR FACILITIES WITH THE ORGANIZATIONS. HEALTH PLAN MAY HAVE ALSO ENTERED INTO THESE TYPE OF TRANSACTIONS WITH ORGANIZATIONS WHOSE OFFICERS WERE MEMBERS OF THE BOARD OF DIRECTORS OF HEALTH PLAN, SUCH TRANSACTIONS WOULD HAVE BEEN AT A PRICE WHICH IS NOT LESS THAN COST NOR MORE THAN FAIR-MARKET-VALUE.

SCHEDULE A, PART III - EXPLANATION FOR LINE 2B

SEE STATEMENT LINE 2A

SCHEDULE A, PART III - EXPLANATION FOR LINE 2C

=====

SEE STATEMENT LINE 2A

SCHEDULE A, PART III - EXPLANATION FOR LINE 2D

=====

SEE STATEMENT PART V

# KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**TIN: 93-0798039**  
**DECEMBER 31, 2003**

## LOBBYING ACTIVITY BY NONELECTING PUBLIC CHARITIES FORM 990, SCHEDULE A, PART VI-B

The Organization is a member of the Kaiser Permanente Medical Care Program and participated and benefited from lobbying activities conducted at the national level by Kaiser Foundation Health Plan, Inc. for the benefit of its enrolled members and for the health care industry as a whole. As an organization generally exempt from income tax under Internal Revenue Code Section 501(c)(3), Health Plan did not participate in or conduct political campaigns.

During the year this Organization may have made comments or statements concerning legislation which may affect the health care industry. Health Plan has not intervened in any political campaign. Health Plan may have possibly engaged in telephone conversations and/or written letters to various federal, state, and local officials regarding matters which affected the healthcare industry as a whole. The amount of time and money involved in the activities is detailed on lines a through h.

Health Plan has several employees and/or may retain a full time professional consultant to represent Health Plan's interests in various legislative and regulatory bodies and from time-to-time to keep informed of Federal and State legislation having an impact on Health Plan's charitable activities as an exempt Health Maintenance Organization.

These individuals attempt to ensure that proposed legislation and enacted laws are compatible with the interests of Health Plan and its members by performing the following activities.

- Collecting, analyzing and distributing within the Organization, public and private policy recommendations regarding proposed legislation and enacted laws that affect the operation of Health Plan and its ability to provide quality health and medical care services to its members in a cost effective environment.
- Providing appropriate informational materials to legislators and to their staffs that pertain to matters of common interest in the health care community and in the not-for-profit community.
- Also by preparing written and oral testimony, these individuals appear at legislative hearings, monitor legislative proceedings and meet with legislators and/or their staffs regarding issues pertinent to the mission of Health Plan. Those individuals appearing at such hearings and meetings for and on behalf of Health Plan often are representing the interests of common interest groups as well as the interests of the members of Health Plan.
- Other employees and officers perform services by delivering speeches at various public and private functions and in serving as faculty in healthcare related educational programs throughout the community.

STATEMENT 16

**KAISER FOUNDATION HEALTH PLAN OF NORTHWEST INC.**  
**FORM 990 TAX YEAR 2003**

**FORM 990 PART I, LINE 8.C, COLUMN (B)**  
**GAIN OR (LOSS) FROM SALES OF ASSETS OTHER THAN INVENTORY**

DESCRIPTION	DATE & HOW ACQ'RD	DATE SOLD	SALES PRICE	COST/ EXPENSE OF SALE	ACCUM DEPREC	GAIN OR (LOSS)
<b>NOTE #1</b>						
<b>GAIN AND LOSS ON SALES AND OTHER DISPOSITIONS:</b>						
Land - 2830 N. Emerson Court, Portland, OR	10/1/97	11/14/03	175,000	162,758	0	12,242
Land - 2834 N. Emerson Court, Portland, OR	7/1/87	12/10/03	170,000	47,090	0	122,910
Various equipment	Various	Various	25,497	1,099,837	1,066,306	(8,034)
Various equipment - Trade In	Various	2/1/03	10,293	89,277	78,984	-
Various equipment - Trade In	Various	6/1/03	535	7,510	6,975	-
Various equipment - Trade In	Various	9/1/03	1,000	17,991	16,991	-
Various equipment	Various	Various	0	1,799,100	1,793,838	(5,262)
Writeoffs, Inventory Wnteoifs	Various	Various	0	5,976,105	5,900,835	(75,270)
Donations of various equipment	Various	Various	0	4,835,802	4,828,582	(7,220)
Dental Sales	Various	Various	8,807	111,036	108,507	6,278
Dental Equipment Disposals	Various	Various	0	30,178	22,074	(8,104)
Inventory Wnteoifs	Various	Various	0	929	913	(16)
Donations of Dental Equipment	Various	Various	0	1,831	1,831	-
<b>GAIN ON SALE OF FIXED ASSETS</b>			<u>391,132</u>	<u>14,179,444</u>	<u>13,825,836</u>	<u>37,524</u>

**RECAP OF NET GAIN/(LOSS)**

ORIGINAL COST AND EXPENSE OF SALE	14,179,444
ACCUMULATED DEPRECIATION	<u>13,825,836</u>
NET BOOK VALUE	353,608
LESS GROSS SALES PROCEEDS	<u>(391,132)</u>
<b>NET GAIN/(LOSS)</b>	<u><u>37,524</u></u>

NOTE #1: THE FOREGOING FIXED ASSETS AND OTHER EQUIPMENT WERE ALL ACQUIRED BY PURCHASE BY THE ORGANIZATION FOR USE IN ITS TAX-EXEMPT PURPOSE.

STATEMENT OF FIXED ASSETS AND DEPRECIATION

FORM 990 PART IV, LINE 57 - LAND, BUILDING AND EQUIPMENT,  
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION; AND  
PART II, LINE 42, COLUMN (B) - DEPRECIATION AND AMORTIZATION.

	COST		ACCUMULATED DEPREC/AMORT		2003 DEP/AMORT EXPENSE
	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR	
LAND	30,402,968	30,179,681	0	0	0
LAND IMPROVEMENTS	9,054,602	9,165,347	8,354,234	8,528,904	174,670
BUILDINGS	258,878,271	261,823,320	99,394,943	111,135,007	11,740,505
LEASEHOLD IMPROVEMENTS	17,682,834	17,800,744	3,595,625	5,579,715	1,986,297
EQUIPMENT	80,422,741	76,655,987	61,515,476	53,406,176	8,780,002
CAPITALIZED SOFTWARE	5,135,317	4,620,288	160,614	1,147,527	986,913
CAPITALIZED LEASES	0	0	0		0
CONSTRUCTION IN PROGRESS	848,409	4,312,290	0	0	0
OTHER AMORTIZATION - START UP AND DEFERRED COSTS -					0
TOTALS TO:					
PART IV, LINE 57(A)	<u>402,425,142</u>	<u>404,557,657</u>			
PART IV, LINE 57(B)			<u>173,020,892</u>	<u>179,797,329</u>	
PART IV, LINE 57(C)	<u>229,404,250</u>	<u>224,760,328</u>			
PART II, LINE 42 COLUMN (B)					<u>23,668,387</u>

# KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

93-0798039

12/31/2003

## STATEMENT FORM 990 PART V - LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

(A) NAME	(B) TITLE/ HOURS* WEEKLY	(C1) COMPENSATION PRE 2003	(C2) COMPENSATION 2003	(D1) BENEFIT 2003	(D2) BENEFIT PAID 2004	(E) EXP ACCT/ OTHER ALLOW.
see note 2						
DIRECTORS:						
George C Halvorson	Director & Chair	0	0	0	0	0
David R Andrews	Director	0	0	0	0	0
Barbara D Blum	Director	0	0	0	0	0
Christine K Cassel MD	Director from 6/2003	0	0	0	0	0
Thomas W Chapman	Director	0	0	0	0	0
Daniel P Garcia	Director	0	0	0	0	0
Henry M Kaiser	Director	0	0	0	0	0
Dorothy H Mann PhD, MPH	Director to 6/2003	0	0	0	0	0
Dean O Morton	Director to 4/2003	0	0	0	0	0
J Neal Purcell	Director from 7/2003	0	0	0	0	0
Mary E Reres EdD	Director to 12/2003	0	0	0	0	0
Robert L Ridgley	Director	0	0	0	0	0
Cynthia A Telles PhD	Director from 4/2003	0	0	0	0	0
Barry L Williams	Director	0	0	0	0	0
SUBTOTAL DIRECTORS		0	0	0	0	0
OFFICERS AND KEY EMPLOYEES:						
Cynthia A Finter	Regional President	0	0	0	0	0
Robert E Briggs	Senior Vice President	0	0	0	0	0
Thomas R Meier	Vice President/Treasurer	0	0	0	0	0
Kirk E Miller*	Senior Vice President to 09/2003	0	0	0	0	0
Arthur M Southam, MD	Senior Vice President	0	0	0	0	0
Deborah Stokes	Vice President/Controller	0	0	0	0	0
Sтивен R Zaitkin	Senior Vice President	0	0	0	0	0
Victoria B Zaitkin	Assistant Secretary	0	0	0	0	0
SUBTOTAL OFFICERS AND KEY EMPLOYEES		0	0	0	0	0
TOTAL		0	0	0	0	0

NOTES: See Statement 20A following page for notes applicable to the above reporting.

STATEMENT 19



# KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

93-0798039

12/31/2003

## STATEMENT FORM 990 PART V, LINE 75 - LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

(A) NAME	(B) TITLE/ HOURS* WEEKLY	(C1) COMPENSATION PRE 2003	(C2) COMPENSATION 2003	(D1) BENEFIT 2003	(D2) BENEFIT PAID 2004	(E) EXP ACCT/ OTHER ALLOW.
see note 2						
*see note 7						
DIRECTORS:						
George C Halvorson	Director & Chair	0	1,872,394	839,165	1,405,900	110,665
David R Andrews	Director		64,994	7,428		0
Barbara D Blum	Director		105,750	96		0
Christine K Cassel MD	Director from 6/2003		50,834	56		0
Thomas W Chapman	Director		95,710	9,567		0
Daniel P Garcia	Director	0	361,865	187,904	239,584	41,988
Henry M Kaiser	Director		82,744	7,428		0
Dorothy H Mann PhD, MPH	Director to 6/2003		40,000	48		0
Dean O Morton	Director to 4/2003		26,582	4,208		0
J Neal Purcell	Director from 7/2003		35,362	48		0
Mary E Reres EdD	Director to 12/2003		89,880	7,033		0
Robert L Ridgley	Director		117,286	13,803		0
Cynthia A. Telles PhD	Director from 4/2003		58,790	5,275		0
Barry L Williams	Director		76,244	7,428		0
SUBTOTAL DIRECTORS		0	3,078,435	1,089,489	1,645,484	152,653
OFFICERS AND KEY EMPLOYEES:						
Cynthia A Finter	Regional President	559,139	523,079	58,538	182,781	45,881
Robert E Briggs	Senior Vice President	0	400,566	983,144	432,949	241,328
Thomas R Meier	Vice President/Treasurer	101,610	234,038	96,482	74,305	0
Kirk E Miller*	Senior Vice President to 09/2003	508,050	624,908	2,373,158	0	0
Arthur M Southern, MD	Senior Vice President	342,934	878,384	376,141	565,584	43,483
Deborah Stokes	Vice President/Controller	158,577	386,275	45,589	104,301	111
Steven R Zaitun	Senior Vice President	444,355	723,509	59,452	244,082	0
Victoria B Zaitun	Assistant Secretary	0	180,995	49,641	64,559	0
SUBTOTAL OFFICERS AND KEY EMPLOYEES		2,114,665	3,951,754	4,042,145	1,668,561	330,804
TOTAL		2,114,665	7,030,189	5,131,634	3,314,045	483,456

NOTES: See Statement 20A following page for notes applicable to the above reporting.

STATEMENT 20

**NOTES for current and future compensation, benefits and other reimbursements.**

**Note #1** - This Organization is one of the corporate entities listed on the Statement Line 80 "Related and Controlled Entities" which is included as a part of this return. This Organization is a participating member of a vertically integrated direct service prepaid health care program

**Note #2** - The Officers and Directors can be contacted in care of:

Kaiser Foundation Health Plan, Inc.  
Program Office Controller's Department  
One Kaiser Plaza, Suite 15L Ordway  
Oakland, CA 94612

**Note #3** - The executive compensation program for Kaiser Foundation Health Plan, Inc and Subsidiaries and Kaiser Foundation Hospitals and Subsidiaries (KFHP/H) is designed to recruit, retain and motivate qualified senior management personnel. Senior management personnel have a significant impact on the strategic and policy direction and results of the organization. Therefore, the executive compensation program is, to a significant degree, performance-based. The compensation program is reviewed annually by an independent committee of the Board of Directors of KFHP/H, which evaluates and approves all programs and payments to executives.

Base pay for executive positions is established at a level comparable to the relevant market. In addition, other components of the compensation program bear 'at-risk' features designed to focus on strategically important performance goals and to assist in attracting and retaining top performers. The executive compensation program is targeted at the median of the comparable external market in which the organization competes for executive leadership. The compensation program focuses on objectives in the areas of quality of member care and service, financial soundness, and the community and social mission of the organization.

**Note #4** - Compensation, benefit plan contributions and reimbursement for certain expenses (collectively referred to as "compensation") of Directors, Officers and Key Employees are paid by Kaiser Foundation Health Plan, Inc. (Health Plan) as common paymaster and disbursement agent for the participating member organizations of KFHP/H. Certain Directors, Officers and/or Key Employees perform services for several of the KFHP/H member organizations.

Some of the amounts shown as Compensation were actually earned in years prior to 2003. This compensation is reported twice – once in the year deferred and again in the year paid. However, the compensation is only paid once. The disclosure rules mandate that significant amounts of compensation are double-counted in both 2002 and 2003. For instance, column C1 includes amounts paid in 2003 for achievement of performance goals for prior years, and column D2 includes payments scheduled for 2004 for performance goals achieved in 2003.

**Note #5** – The Organization offers various benefit plans, both qualified and non-qualified. Among the benefits offered to the officers listed on Form 990, Part V line 75 are a qualified Defined Benefit Plan (Plan A), a qualified Defined Contribution Plan (Plan B), a Section 403(b) Tax Sheltered Annuity Plan (TSA), a Section 457(b) Deferred Compensation Plan (CAP), and health and welfare benefit plans. Included in Benefits reported for this purpose are the value of the annual contributions to Plan B, TSA, CAP and certain health and welfare benefit plans. Estimates for 2003 accruals for future benefits under Plan A are included in column D1. Individual values for post retirement health and welfare benefits are reported at the time of retirement.

For other benefit plans available to executives which provide future benefits earned during 2003 (where the specific amounts are available and determinable by the time this tax report is filed), the amount is included in the Benefits column D1 reported in this return. Amounts determinable at year-end under termination of employment arrangements calling for a stream-of-payments in a subsequent year are included in the D1 Benefit Plans column for this purpose. Individuals noted with (\*) may have amounts included by reason of termination of employment and from benefit plan accounts that were previously earned.

**Note #6** - The amounts reported as Expense Account/ Other Allowance include amounts for reimbursement of expenses. Under IRS rules, ordinary and necessary business expenditures such as travel, transportation, lodging, meals, business meetings and conferences are not included here. These items are reimbursed on an accountable plan basis, consistent with policies and procedures based on prudent fiduciary responsibilities and standards. The policies under which these individuals account to the payer meet the substantiation requirements of Internal Revenue Code Section 274. This reporting includes taxable moving and relocation reimbursements and allowances.

**Note #7** - The average weekly time spent on the organization's affairs during 2003 is reported based on individual records for Directors Blum, Cassel, Chapman and Ridgley; for the other directors the time is estimated to be five hours. Actual time spent by Board member may vary based on different responsibilities during the year. Key employees, who work full-time, may work in excess of the standard 40-hour work week.

**KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**TIN: 93-0798039**

**DECEMBER 31, 2003**

**ATTACHMENT FOR:**

**FORM 990 PART VI, QUESTION 80 - RELATED AND AFFILIATED ENTITIES**  
**AND/OR**

**FORM 1120, SCHEDULE K, QUESTIONS 3, 4 AND 5**

**KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS, CALIFORNIA  
NOT-FOR PROFIT CORPORATIONS, EXEMPT FROM INCOME TAX UNDER INTERNAL REVENUE CODE  
SECTION 501(C)(3), HAVE A CONTROLLING OR AFFILIATED INTEREST IN THE FOLLOWING CORPORATIONS  
AS OF DECEMBER 31, 2003:**

**EMPLOYER  
ID #**

**ENTITY NAME**

**SUBSIDIARY ENTITIES THAT ARE OWNED DIRECTLY OR INDIRECTLY BY KAISER FOUNDATION  
HEALTH PLAN, INC., THAT ARE ALSO EXEMPT FROM FEDERAL INCOME TAX UNDER IRC 501(C)(3):**

93-0798039	KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
84-0591617	KAISER FOUNDATION HEALTH PLAN OF COLORADO
58-1592076	KAISER FOUNDATION HEALTH PLAN OF GEORGIA, INC.
52-0954463	KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES, INC.
34-0922268	KAISER FOUNDATION HEALTH PLAN OF OHIO
23-7425486	COMMUNITY HEALTH PLAN
94-3299124	KAISER HEALTH PLAN ASSET MANAGEMENT, INC.
93-0954562	KAISER HEALTH ALTERNATIVES
94-3299123	CAMP BOWIE SERVICE CENTER
93-0480268	OHP
91-2171891	LOKAHI ASSURANCE, LTD

**SUBSIDIARY ENTITIES THAT ARE OWNED DIRECTLY OR INDIRECTLY BY KAISER FOUNDATION  
HEALTH PLAN, INC. THAT ARE TAXABLE FOR FEDERAL AND STATE INCOME TAX PURPOSES:**

03-0329760	OAK TREE ASSURANCE, LTD
94-3113684	KAISER PERMANENTE HEALTH ALTERNATIVES, INC
94-3259432	KAISER PROPERTIES SERVICES, INC.
91-1814507	CHP COMPANIES, INC.

**KAISER FOUNDATION HEALTH PLAN, INC. IS AFFILIATED WITH THE FOLLOWING ENTITIES EXEMPT  
FROM FEDERAL INCOME TAX UNDER IRC SECTION 501(C)(3):**

94-1105628	KAISER FOUNDATION HOSPITALS	*(1)
94-3299125	KAISER HOSPITALS ASSET MANAGEMENT, INC.	*(2)

**KAISER FOUNDATION HEALTH PLAN, INC. IS AFFILIATED WITH THE FOLLOWING  
ENTITIES THAT ARE NOT EXEMPT FROM FEDERAL INCOME TAX:**

**KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**TIN: 93-0798039**

**DECEMBER 31, 2003**

**ATTACHMENT FOR:**

**FORM 990 PART VI, QUESTION 80 - RELATED AND AFFILIATED ENTITIES**  
**AND/OR**

**FORM 1120, SCHEDULE K, QUESTIONS 3, 4 AND 5**

**KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS, CALIFORNIA**

94-3245176	KAISER PERMANENTE INTERNATIONAL	*(2)
94-3292262	KAISER PERMANENTE VENTURES	*(2)
68-0444615	CARETOUCH, INC.	*(2)
91-2166347	KP ONCALL, LLC (elected to be treated as a disregarded entity for tax purposes)	*(2)
94-3203402	KAISER PERMANENTE INSURANCE COMPANY	*(3)
N/A	HAMI - COLORADO, LLC (elected to be treated as a disregarded entity for tax purposes)	*(4)
94-3289704	KAIVEST I, LLC	*(5)

**NOTE \*(1)** KAISER FOUNDATION HOSPITALS, A CALIFORNIA NOT-FOR-PROFIT CORPORATION, EXEMPT FROM INCOME TAX UNDER THE PROVISIONS OF INTERNAL REVENUE CODE SECTION 501(C)(3), SHARES A COMMON BOARD OF DIRECTORS WITH KAISER FOUNDATION HEALTH PLAN, INC.

**NOTE \*(2)** THESE ENTITIES ARE SUBSIDIARIES OF KAISER FOUNDATION HOSPITALS.

**NOTE \*(3)** KAISER PERMANENTE INSURANCE COMPANY IS A NON-EXEMPT LIFE, ACCIDENT AND HEALTH INSURANCE COMPANY OF WHICH 100% OF THE PREFERRED STOCK AND 50% OF THE COMMON STOCK ARE OWNED BY KAISER FOUNDATION HEALTH PLAN, INC. THE REMAINING 50% OF COMMON STOCK IS OWNED BY NON-AFFILIATED PHYSICIANS PRACTICE GROUPS

**NOTE \*(4)** HAMI - COLORADO, LLC - THE SOLE MEMBER OF THIS LIMITED LIABILITY COMPANY IS KAISER HOSPITALS ASSET MANAGEMENT, INC.

**NOTE \*(5)** KAIVEST I, LLC - THIS CASH POOLING INVESTMENT FUND HAS THREE AFFILIATED MEMBERS. KAISER FOUNDATION HEALTH PLAN OF COLORADO; KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST, and KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES, INC.

**THE COMMON ADDRESS FOR ALL ENTITIES LISTED ABOVE IS:**

C/O KAISER FOUNDATION HEALTH PLAN, INC.  
PROGRAM OFFICE CONTROLLER'S DEPARTMENT - TAX  
ONE KAISER PLAZA, 1550 ORDWAY  
OAKLAND, CA 94612

**KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**  
**TIN: 93-0798039**  
**DECEMBER 31, 2003**

**STATEMENT FORM 990 PART VIII**  
**RELATIONSHIP OF ACTIVITIES TO EXEMPT PURPOSE**

LINE NUMBER 93:

- 93A MEMBERS HEALTH CARE PREMIUMS**  
Revenue received from or on behalf of members, for prepaid health care coverage under the HMO care plans offered by Health Plan to its members. Revenue excluded under the provisions of Revenue Ruling 68-27.
- 93B SUPPLEMENTAL CHARGES / PHARMACY**  
Revenue received for co-payments from or on behalf of members for health care services provided under the plans referred to in 93A above. Pharmaceutical sales to members. Revenue excluded under the provisions of Internal Revenue Regulation 1.501(c)(3)-1.
- 93C NON-PLAN AND INDUSTRIAL REVENUE**  
Revenue received from non-members for health care and from outside insurers for reimbursement for health care services provided to members for work-related injuries or conditions. Revenue excluded under the provisions of Internal Revenue Regulation 1.501(c)(3)-1.
- 93D OTHER PROGRAM SERVICE REVENUE**  
Revenue received from or on behalf of members for health care services provided under the plans referred to in 93A above.
- 93F MEDICARE/MEDICAID PAYMENTS**  
Revenue received from the Social Security Administration for medical and health care services provided to Plan members covered under Part B of Medicare. Revenue excluded under the provisions of Internal Revenue Regulation 1.501(c)(3)-1.

*STATEMENT 22*

KAISER FOUNDATION HEALTH PLAN NORTHWEST, INC  
EMPLOYEE COMPENSATION FOR FORM 990 REPORTING PURPOSES  
FOR TAX YEAR 2003

TOP FIVE EMPLOYEES						
NAME	TITLE	HOURS see note 7	(C1) COMPENSATION PRE-2003	(C2) COMPENSATION 2003	(D1) BENEFITS 2003	(E) EXP ACCT/ OTHER ALLOW.
			see notes 3 & 4	see notes 3 & 4	see notes 4 & 5	see notes 3, 4 & 6
DENISE HONZEL	VP	40	152,321	309,914	56,932	93,613
RAY ROBERTSON	VP	40	101,610	183,540	88,665	44,288
PATRICIA PETERS	VP	40	81,288	186,023	77,696	56,335
MARY DURHAM	VP	40	60,966	192,862	38,875	44,577
DONNA MCCLELLAN	VP	40	0	213,099	81,116	62,552

NOTES: See Statement 20A for notes applicable to the above reporting.

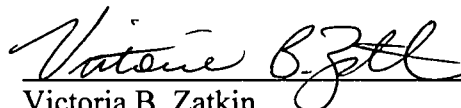
**KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**OFFICER'S CERTIFICATE**

Dated: February 24, 2004

I, the undersigned, Victoria B. Zatkin, hereby certify that I am Assistant Secretary of Kaiser Foundation Health Plan of the Northwest, an Oregon nonprofit corporation (the "Corporation"). I further certify that attached hereto is a full, true, and correct copy of the Bylaws of the Corporation (the "Bylaws"), as amended. I further certify that the Bylaws are in full force and effect as of the date hereof, and no further amendment to or other document relating to or affecting the Bylaws has been approved by the Board of Directors of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first set forth above.

  
\_\_\_\_\_  
Victoria B. Zatkin  
Assistant Secretary



BYLAWS OF  
KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

ARTICLE A

PURPOSES

Section A-1. Principal Purpose.

This corporation exists for the principal purpose of establishing and maintaining a nonprofit comprehensive, predominantly prepaid, direct service health care plan at reasonable cost for members of the public, without regard to sex, race, religion or national origin.

Section A-2. Related Purposes.

This corporation's related purposes are to promote and encourage the advancement and improvement of the nation's health care delivery system, with special emphasis on organizing and providing health care services on a cost-effective basis; to participate in activities designed and carried on to promote the community's general health; and, subject to Sections A-3 and A-4, to support such other charitable, scientific, educational and hospital endeavors as the corporation may deem advisable.

Section A-3. Nonprofit Character.

This corporation is a nonprofit corporation and is not organized for the private gain of any person. This corporation is organized for, and its assets are irrevocably dedicated to, public and charitable purposes. The corporation does not and shall not have the

power to distribute gains, profits or dividends to its Directors or officers, and no part of its net earnings shall inure to the benefit of any Director or officer of the corporation or to any other individual, but the corporation may compensate Directors and officers for the reasonable value of goods or services that they furnish to the corporation.

Section A-4. Disposition of Assets on Liquidation or Dissolution.

Upon the corporation's liquidation or dissolution, the Board of Directors shall, after paying or adequately providing for the corporation's liabilities, distribute the corporation's assets to one or more organizations exempt from tax under §501(c)(3) of the Internal Revenue Code of 1954 or any amendment or successor thereto. The corporation's assets may not be distributed so as to inure directly or indirectly to the benefit of any Director or officer of the corporation, or to any other individual, or to any corporation, trust or organization whose net earnings inure to the benefit of any individual.

Section A-5. Non-discrimination.

This corporation, in the operation of its nonprofit comprehensive health care plan and related activities, shall conduct its activities and shall offer the services and benefits of its plan and other activities to all persons equally, without discrimination because of race, color, religion, sex, or national origin, and shall take affirmative action to maintain equality in such matters.

## ARTICLE B

### OFFICES

#### Section B-1. Principal Office.

The principal place of business and home office of this corporation shall be located in Portland, Multnomah County, Oregon. This corporation shall keep therein accurate and complete accounts and records of its assets, transactions and affairs in accordance with the provisions of the Oregon Insurance Code.

#### Section B-2. Other Offices.

This corporation may at any time establish other offices at such place or places as the Board of Directors may designate.

## ARTICLE C

### MEMBERS

#### Section C-1. Status of Membership.

Kaiser Foundation Health Plan, Inc., a California nonprofit corporation, is the sole member of this corporation.

#### Section C-2. Changes in Membership.

Changes in membership may be effected in such manner as the Board of Directors of this corporation, acting with the approval of a majority of the members of this corporation, shall determine.

#### Section C-3. Termination.

All rights and powers incident to membership shall cease upon termination of membership.

#### Section C-4. Dues, Assessments and Liabilities.

No member of this corporation shall be subject to any charge for dues or assessments, nor shall any member be in any way liable for any debt, liability or obligation of the corporation.

#### Section C-5. Meetings.

There shall be an annual meeting of members at the time of the first regular Board meeting each year. Meetings of members shall be governed by Section D-5, relating to meetings of Directors, except that meetings of members shall be held upon at least ten days' notice by first class mail.

Section C-6. Other Action by Members.

The members may, by written consent, take any action which the members of an Oregon nonprofit corporation are permitted to take without a meeting, and any action so taken shall have the same effect as, and be in all respects as valid as, action taken at a meeting duly held.

Section C-7. Power and Authority of Members.

Members shall have the maximum power and authority provided or permitted to members of Oregon nonprofit corporations under the laws of the State of Oregon except that all such powers shall be exercised consistently with, and in furtherance of, the irrevocable dedication of the assets of this corporation to the purposes specified in Article A of these Bylaws.

## ARTICLE D

### DIRECTORS

#### Section D-1. Power and Authority of Directors.

All corporate powers shall be exercised by or under the authority of the Board of Directors, and the Board shall control the business and affairs of the corporation. The Board shall have the maximum power and authority now or hereafter provided or permitted under Oregon law to directors of Oregon nonprofit corporations, acting as a board, except that all such powers shall be exercised consistently with, and in furtherance of, the irrevocable dedication to the assets of this corporation to the purposes specified in the Articles of Incorporation and in these Bylaws.

The following powers of the corporation are illustrative only, and shall not be construed as constituting or implying any limitation upon powers exercisable by the Board or the corporation. The corporation shall have power to:

- (a) Commence, conduct and defend legal proceedings;
- (b) Adopt, use and alter a corporate seal, but failure to affix a seal shall not affect the validity of any act or instrument of the corporation;
- (c) Adopt, amend and repeal Bylaws, subject to the power of the members to change or repeal the Bylaws, except that no change may be made by the Directors in the authorized number of Directors;
- (d) Select, remove and prescribe powers, duties and compensation of officers, agents and employees, and require security for faithful service;

(e) Qualify to conduct, and conduct activities anywhere in the world;

(f) Acquire, hold, lease, encumber, convey, exchange, transfer upon trust, or otherwise dispose of real and personal property anywhere in the world, and receive and accept inter vivos or testamentary gifts of real or personal property, or both;

(g) Borrow money, contract debts and issue bonds, debentures, notes or other evidences of indebtedness therefor, and secure the performance of obligations by mortgage or otherwise;

(h) Acquire, subscribe for, hold, own, pledge and otherwise dispose of and represent shares of stock, bonds and securities of any other corporation, domestic or foreign;

(i) Purchase or acquire its own bonds, debentures or other evidences of its indebtedness or obligations;

(j) Make donations for charitable purposes;

(k) Act as trustee under any trust incidental to the principal objects of the corporation, and receive, hold, administer and expend funds and property subject to such trust;

(l) Participate with others in any partnership, joint venture or other association, transaction or arrangement of any kind, whether or not such participation involves sharing or delegation of control with or to others;

(m) Enter into any contracts, assume any obligations or do any other acts incidental to the conduct of corporate affairs or the attainment of corporate purposes;

(n) Do all other acts necessary or expedient for administration of the affairs and attainment of the purposes of the

corporation.

Section D-2. Number.

The number of Directors may be changed at any time by amendment of these Bylaws by the member. Until changed by the member, there shall be 14 Directors. Only two Directors shall be inside Directors, one of whom shall be the Chairman of the Board of this corporation who shall serve ex officio and only so long as he or she holds such office, and one of whom shall be a senior officer of this corporation designated by the Chairman of the Board. All other Directors shall be independent Directors. Each Director, including the ex officio Director and the designated Director, shall be counted for purposes of determining the presence of a quorum and shall have one vote.

Section D-3. Vacancies.

A vacancy shall exist whenever a Director resigns, for any reason becomes unable to serve, is not re-elected as provided in Section D-4, is removed in accord with law, or is removed by the member at a meeting of the member's Board of Directors provided that the notice of the meeting of the member's Board of Directors indicates the purpose of the meeting. Additional vacancies shall arise whenever and to the extent that the number of Directors is increased as provided in Section D-2.

Section D-4. Election and Term of Office.

The twelve Directors other than the Chairman of the Board and the Director designated by the Chairman of the Board shall be divided into



three classes of four Directors each. At the first regularly scheduled meeting of the member's Board of Directors each year, upon the expiration of the term of a class of Directors, Directors of that class shall be elected for a term which shall end at the later of the first regularly scheduled meeting of the member's Board of Directors in the third year following their election or when their successors are elected except that in any event the term of a Director shall end on December 31 of the year in which he or she attains age 70, unless the Chairman of the Board specifically requests a Director to remain on the Board for an interim transition period, and the Chairman of the Board, upon his or her retirement or resignation as Chairman of the Board, shall be precluded from continuing to serve as a Director. Any vacancy may be filled by the member, acting through its Board of Directors or its Executive Committee. Each Director shall hold office until the end of his or her term, or until he or she shall resign, become unable to serve as a Director, or be removed in accord with Section D-3.

#### Section D-5. Meetings.

(a) Place of Meetings. Meetings shall be held at such place as the Board of Directors shall designate by resolution or written consent, but unless another place shall be so designated, all meetings shall be held at One Kaiser Plaza, Oakland, California.

(b) Call of Meetings. Meetings of the Board of Directors may be called at any time by the Chairman of the Board, or by any two Directors.

(c) Notice. Notice of meetings shall be mailed, telegraphed, or personally delivered to each Director, at his or her usual business address. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

(d) Proof of Notice. A statement showing service of any notice pursuant to Section D-5(c) may be entered in the minutes of the meeting, and such entry shall be conclusive evidence that notice was duly given. Any waivers, consents and approvals given in lieu of regular notice shall be entered in the minutes of the meeting.

(e) Quorum. A majority of the Directors then in office shall constitute a quorum for the transaction of business. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

(f) Meetings Without Notice. If all Directors are present at any meeting, or if a quorum is present and all Directors not present either (1) sign a waiver of notice of such meeting, or a consent to the holding thereof, whether prior to or after the meeting, or (2) approve the minutes thereof, the transactions of such meeting shall be as valid as if conducted at a meeting regularly noticed.

(g) Adjourned Meetings. A majority of the Directors present at any meeting, although less than a quorum, may adjourn the meeting from time to time, without further notice, until a quorum shall attend.

Section D-6. Action Without a Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board individually or collectively consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

## ARTICLE E

### OFFICERS

#### Section E-1. Officers.

The officers of the corporation shall be a Chairman of the Board, a President, one or more Executive or Senior Vice Presidents, a Secretary, a Chief Financial Officer, a Controller, a Treasurer and one or more Assistant Secretaries. These shall be the only officers of the corporation. The Chairman of the Board or the President of Kaiser Foundation Health Plan, Inc. may assign such other titles as may be appropriate to other individuals, including the title of Vice President, but such other individuals shall not be corporate officers.

Only the Chairman of the Board must be a Director. One person may hold two or more offices, except that the same person may not be both President and Secretary.

#### Section E-2. Election or Appointment and Term of Office.

Each officer shall be elected by the Board of Directors at the first regular Board meeting each year or at any other meeting of the Board for a term of office which shall end at the first Board meeting the following year, or for such other term as the Board of Directors may specify, or until he or she shall resign or is not re-elected as provided in this section.

#### Section E-3. Subordinate Officials.

The Chairman of the Board or President may appoint or delegate authority to appoint such other officials as the needs of the

corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as the appointing officer, pursuant to authority conferred by the Board of Directors, may from time to time determine. These officials shall not be officers of the corporation. Such officials holding the title of Vice President shall have authority to sign contracts and other documents on behalf of the corporation.

#### Section E-4. Removal and Resignation.

Any officer may be removed, at any time, either with or without cause, by the Board of Directors. Except for officers chosen directly by the Board of Directors, any officer may be removed, either with or without cause, by any officer authorized to appoint such officer, or by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall take effect upon receipt of such notice, or at any later time specified therein; unless otherwise specified therein, a resignation shall be effective without express acceptance.

#### Section E-5. Vacancies.

A vacancy in any office because of death, resignation, removal, inability or disqualification to serve, or otherwise, shall be filled in the manner provided in the Bylaws for regular election or appointment to such office.

Section E-6. Chairman of the Board.

The Chairman of the Board shall be the Chief Executive Officer of the corporation and shall preside at all meetings of the Board of Directors and shall have such other powers and duties as the Board of Directors shall designate or the Bylaws may provide.

Section E-7. President.

Subject to the direction of the Board of Directors and the Chairman of the Board, the President shall have the general powers and duties of management usually vested in the office of President of a corporation as well as such other powers and duties as the Board of Directors shall designate or as the Bylaws may provide. If there is not a Chairman of the Board of Directors in office and then acting, or if the Chairman of the Board is absent or disabled, the President shall perform all of the duties of the Chairman of the Board, and when so acting shall have the powers of, and be subject to the restrictions upon, the Chairman of the Board, as prescribed in the Bylaws or by the Board of Directors.

The President shall have such other powers and perform such other duties as the Board of Directors shall designate or as the Bylaws may provide.

Section E-8. Executive or Senior Vice President.

Each Executive or Senior Vice President shall assist the President in the performance of his or her duties. In the absence or disability of the President, the Executive Vice President, if one is designated by the Board, or in the absence of such designation, the Senior Vice

Presidents in order of their rank as fixed by the Board of Directors, shall perform the duties of the President, and when so acting, shall have all the powers of, and be subject to all restrictions upon, the President. Each Executive or Senior Vice President shall have such other powers and duties as the Board of Directors shall designate or as the Bylaws may provide.

#### Section E-9. Secretary.

The Secretary shall be responsible for keeping a book of minutes at One Kaiser Plaza, Oakland, California or at such other place as the Board of Directors shall designate, of all meetings and all formal actions of the Board of Directors. Minutes of meetings shall reflect: the time and place of the meetings; whether they were held pursuant to notice, waiver, or consent; if they were held pursuant to notice, the notice given; the names of persons present; the business transacted, and such other matters as the Board of Directors shall designate.

The Secretary shall be responsible for giving notice of meetings as required by the Bylaws. He or she shall maintain safe custody of the seal, shall make certificates and authenticate documents reflecting actions of the corporation as may be required or desirable, and shall have such other powers and perform such other duties as the Board of Directors shall designate or as the Bylaws may provide. Subject to the supervision of the Secretary, any Assistant Secretary may perform all or any part of the duties of the Secretary.

Section E-10. Chief Financial Officer.

The Chief Financial Officer shall supervise banking relations, including the handling, depositing and disbursing of all funds. The Chief Financial Officer shall render to the President and to the Board of Directors, on request, an account of his or her transactions as Chief Financial Officer and of the financial condition of the corporation. The Chief Financial Officer shall have such other powers and perform such other duties as the Board of Directors shall designate or as the Bylaws may provide. Subject to the supervision of the Chief Financial Officer, any other official may perform all or any part of the duties of the Chief Financial Officer.



ARTICLE F  
COMMITTEES

Section F-1. Provision for Committees.

The corporation shall have an Executive Committee and such other committees as the Board of Directors may appoint to advise and assist the Board of Directors in managing the corporation's affairs.

Section F-2. Action Without a Meeting.

Any action required or permitted to be taken by a committee of the Board of Directors may be taken without a meeting if all members of the committee individually or collectively consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of the committee. Such written consent or consents shall be filed with the minutes of the proceedings of the committee.

Section F-3. Executive Committee.

(a) Composition. The Executive Committee shall consist of six (6) Directors, who shall be selected by the Board of Directors, and who shall continue as members of the Executive Committee at the pleasure of the Board.

(b) Authority and Duties. The Executive Committee shall have authority to act for the Board of Directors between Board meetings. Unless otherwise provided by law, the Board of Directors, the Articles of Incorporation, or the Bylaws, any action taken by the Executive Committee shall have the same force and effect as though taken by a

majority of Directors present at a meeting of the Board duly called and held pursuant to the Bylaws, except that the Executive Committee shall have no authority to: (1) Fill vacancies on the Board or the Executive Committee; (2) Fix the compensation of Directors for serving on the Board or any committee; (3) Adopt, amend or repeal Bylaws; (4) Amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable; (5) Appoint committees of the Board or appoint the members thereof; (6) Change roles, titles or employment status of corporate officers; or (7) Approve any aspect of a transaction involving the corporation when a Director has a material financial interest in that transaction, except as expressly provided by the law.

(c) Conduct of Business. A quorum of the Executive Committee shall consist of three (3) committee members. The Executive Committee shall report to the Board of Directors regarding its recommendations, actions and decisions.

#### Section F-4. Other Committees.

The Board of Directors may establish such other committees, of such composition and with such duties, authority and manner of conducting business, as the Board may from time to time deem advisable. Each such committee shall consist of two or more Directors, who shall be selected by the Board of Directors.

ARTICLE G  
MISCELLANEOUS

Section G-1.      Inspection of Corporate Records.

The books of account, minute book and records of committee actions and proceedings shall be open to inspection upon written demand by any Director or member at any reasonable time and for any purpose reasonably related to his or her interests as a Director or member. Such inspection may be made in person, or by any agent or attorney designated by the Director or member and shall include the right to make extracts and copies. Demands for inspection may be presented to the Board of Directors at any meeting, or to the President or Secretary, or if such demand relates to the books of account, to the Controller. Each such demand may be granted by the officer to whom it is presented, but unless so granted, shall be referred by such officer to the Board of Directors.

Section G-2.      Execution or Endorsement of Checks.

All checks, drafts or other orders for payment of money, and notes or other evidences of indebtedness issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons, and in such manner, as the Board of Directors shall from time to time by resolution determine.

Section G-3.      Execution of Contracts.

The Board of Directors may authorize any officer or officers and any agent or agents to enter into any contract or execute any

instrument in the name of, and on behalf of, the corporation, and such authority may be general or limited to specified instances. No officer, agent or employee shall have any power or authority to bind or obligate the corporation by any commitment, contract or engagement, or to pledge its credit or render it liable for any purpose or in any amount unless duly authorized by the Board of Directors.

Section G-4. Bylaws, Minutes and Membership Records.

The original or a certified copy of the Bylaws, together with all amendments thereto, and the minute book shall be kept at One Kaiser Plaza, Oakland, California and shall be subject to inspection as provided in Section G-1.

Section G-5. Representation of Shares of Other Corporations.

The President or any Vice President, acting together with the Secretary or any Assistant Secretary of this corporation, are authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all shares of stock of any other corporation or corporations which may be owned by or stand in the name of this corporation, and such authority may be exercised by such officers in person or by any person authorized by proxy or power of attorney duly executed by such officers.

Section G-6. Fiscal Year.

The fiscal year of this corporation shall be the calendar year.

Section G-7. Indemnification of Directors, Members, Officers and Employees.

Every person heretofore, now, or hereafter serving as a Director, officer or employee of the corporation, and every person heretofore, now or hereafter serving at the written request of the corporation (or at its oral request subsequently confirmed in writing), as director, trustee, member, officer, or employee of another corporation or other business association which the corporation controls or in which the corporation owns shares of capital stock or other proprietary interest or of which the corporation is a creditor shall be indemnified and held harmless by the corporation from and against any and all loss, cost, liability and expense that may be imposed upon or incurred by him or her in connection with or resulting from any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, in which he or she may become involved as a party or otherwise by reason of his or her being or having been a Director, Trustee, member, officer, or employee of the corporation, or of another corporation or other business association which the corporation controls or in which the corporation owns shares of capital stock or other proprietary interest or of which the corporation is a creditor, whether or not he or she continues to be such at the time such loss, cost, liability or expense shall have been imposed or incurred. As used herein, the term "loss, cost, liability and expense" shall include all expenses incurred in the defense of such claim, action, suit or proceeding and the amounts of judgments, fines, or penalties levied or rendered against any such person; provided, however, that no such person shall be entitled to indemnity hereunder unless the Board of Directors of the corporation

determines in good faith that such person (a) was acting in good faith, and (b) reasonably believed that the conduct was in the corporation's best interest, or at least not opposed to the corporation's best interest. In addition, in the case of a criminal proceeding, no person shall be entitled to indemnification hereunder unless such person had no reasonable cause to believe that the conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that a person did not meet the standard of conduct described in this Section G-7. Payments authorized hereunder include amounts paid and expenses incurred in settling any such claim, action, suit, or proceeding whether actually commenced or threatened. Expenses incurred with respect to any such claim, action, suit or proceeding may be advanced by the corporation prior to the final disposition thereof upon receipt by the corporation of (a) an undertaking satisfactory in form and amount to the Board of Directors by or on behalf of the recipient to repay such amount unless it is ultimately determined that he or she is entitled to indemnification and (b) a written affirmation of the recipient's good faith belief that such recipient has met the standard of conduct described in this Section G-7. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which any person may be otherwise entitled by contract or as a matter of law.

Section G-8. Indemnification to Full Extent of Law.

Notwithstanding the above provisions, the corporation shall indemnify Directors, officers, and employees to the fullest extent

permitted by law.

Section G-9. Insurance.

This corporation shall have the power to purchase and maintain insurance on behalf of any Director, officer or employee of the corporation against any liability asserted against and incurred by such person in his or her official capacity or arising out of his or her status as such, whether or not the corporation would have the power to indemnify that person under the provisions of Section G-7.

Section G-10. Annual Report.

No annual report shall be required in connection with the activities of the corporation except as required by the laws of Oregon.

## ARTICLE H

### AMENDMENT AND EFFECT OF BYLAWS

#### Section H-1. Previous Bylaws Superseded.

These amended Bylaws supersede the previous Bylaws of this corporation and all amendments thereto.

#### Section H-2. Effect of Bylaws.

These Bylaws are in all respects subordinate to, and shall be controlled by, applicable provisions of the laws of the State of Oregon, other applicable laws, and the Articles of Incorporation of this corporation. Except as these Bylaws may be inconsistent with said laws and Articles, they shall regulate the conduct of the business and affairs of this corporation with respect to all matters to which they relate.

#### Section H-3. Manner of Amendment.

(a) In any Legal Way. These Bylaws may be amended in any manner now or hereafter provided by the applicable provisions of the laws of the State of Oregon, except as provided in Section H-3(b) of this Article.

(b) By Directors. These Bylaws may be amended by majority vote of the Board of Directors at any meeting, provided a quorum of the Board is present and voting, except that those portions of Article D, Section D-4 of these Bylaws regarding election of Directors may be amended only by the member, acting through its Board of Directors.