

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

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: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	C Name of organization KAISER FOUNDATION HEALTH PLAN, INC		D Employer identification number 94-1340523
		Number and street (or P.O. box if mail is not delivered to street address) Room/suite		E Telephone number (510) 271-6611
		ONE KAISER PLAZA, SUITE 1550L		F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual
		City or town, state or country, and ZIP + 4 OAKLAND, CA 94612		<input type="checkbox"/> 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 527

K 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 ☒ NoH(b) If "Yes," enter number of affiliates **1**H(c) Are all affiliates included? ☐ Yes ☐ No (If "No," attach a list. See instructions.)H(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 **24,833,248,405.**

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

Revenue	1 Contributions, gifts, grants, and similar amounts received:		
	a Direct public support	1a	1,146,629.
	b Indirect public support	1b	
	c Government contributions (grants)	1c	1,262,000.
	d Total (add lines 1a through 1c) (cash \$ 2,408,629. noncash \$ _____)	1d	2,408,629.
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2	19,946,216,557.
	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	1,056,103.
b Less: rental expenses	6b		
c Net rental income or (loss) (subtract line 6b from line 6a)	6c	1,056,103.	
7 Other investment income (describe _____)	7	82,187,579.	
Expenses	8a Gross amount from sales of assets other than inventory	(A) Securities	8a 4,798,463,925.
	b Less: cost of sales and sales expenses	(B) Other	8b 90,916.
	c Gain or (loss) (attach schedule)	8c	439,952.
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d	-349,036.
	9 Special events and activities (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	2,824,696.	
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	20,024,643,520.	
Net Assets	13 Program services (from line 44, column (B))	13	19,427,433,881.
	14 Management and general (from line 44, column (C))	14	467,991,345.
	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	19,895,425,226.
18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	129,218,294.	
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	916,745,449.	
20 Other changes in net assets or fund balances (attach explanation) STMT 4 STMT 5	20	453,015,568.	
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	1,498,979,311.	

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
22 Grants and allocations (attach schedule) (cash \$ <u>1,515,931</u> , noncash \$ _____)	22 1,515,931.	1,515,931.	See Statement 3 & Community Benefit Report	
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25 Compensation of officers, directors, etc.	25 21,835,318.	21,835,318.		
26 Other salaries and wages	26 939,334,258.	939,334,258.		
27 Pension plan contributions	27 51,477,846.	51,477,846.		
28 Other employee benefits	28 351,219,694.	351,219,694.		
29 Payroll taxes	29 41,661,480.	41,661,480.		
30 Professional fundraising fees	30			
31 Accounting fees	31 322,078.	322,078.		
32 Legal fees	32 18,506,342.	18,506,342.		
33 Supplies	33 1,421,985,648.	1,421,985,648.		
34 Telephone	34 5,567,429.	5,567,429.		
35 Postage and shipping	35 16,509,633.	16,509,633.		
36 Occupancy	36 131,285,362.	131,285,362.		
37 Equipment rental and maintenance	37 15,759,727.	15,759,727.		
38 Printing and publications	38 17,153,282.	17,153,282.		
39 Travel	39 24,950,474.	24,950,474.		
40 Conferences, conventions, and meetings	40 5,982,112.	5,982,112.		
41 Interest	41 388,482.	388,482.		
42 Depreciation, depletion, etc. (attach schedule)	42 195,585,819.	195,585,819.		
43 Other expenses not covered above (itemize) TMT 6	43a 16634384311.	16166392966.	467,991,345.	
b	43b			
c	43c			
d	43d			
e	43e			
44 Total functional expenses (add lines 22 through 43). Organizations completing columns (B)-(D), carry these totals to lines 13-15.	44 19895425226.	19427433881.	467,991,345.	

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 \$ _____; (ii) the amount allocated to Program services \$ _____;

(iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See page 25 of the instructions.)What is the organization's primary exempt purpose? Statement 3

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.)

Program Service Expenses
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others.)

a <u>Statement 3</u>	(Grants and allocations \$ 1,515,931.)	19427433881.
b	(Grants and allocations \$)	
c	(Grants and allocations \$)	
d	(Grants and allocations \$)	
e Other program services (attach schedule)	(Grants and allocations \$)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services).		19427433881.

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	
Assets	45	Cash - non-interest-bearing		9,531,089.	45	5,484,671.	
	46	Savings and temporary cash investments		30,884,233.	46	1,331,916,815.	
	47a	Accounts receivable	47a	577,123,196.			
	b	Less: allowance for doubtful accounts	47b	206,622,576.	958,222,536.	47c	370,500,620.
	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)	STMT 14	1,085,000.	50	804,375.	
	51a	Other notes and loans receivable (attach schedule)	STMT 7	51a	19,162,592.		
	b	Less: allowance for doubtful accounts	51b		19,162,592.	51c	19,162,592.
	52	Inventories for sale or use		84,029,342.	52	92,886,114.	
	53	Prepaid expenses and deferred charges		93,137,644.	53	177,486,285.	
	54	Investments - securities (attach schedule) STMT 8. <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		2,311,935,415.	54	2,654,898,793.	
	55a	Investments - land, buildings, and equipment: basis	55a				
	b	Less: accumulated depreciation (attach schedule)	55b			55c	
56	Investments - other (attach schedule)	STMT 9.	34,743,826.	56	37,263,985.		
57a	Land, buildings, and equipment: basis	57a	4,026,063,265.				
b	Less: accumulated depreciation (attach schedule)	STMT 1	57b	2,118,175,253.	1,837,196,627.	57c	1,907,888,012.
58	Other assets (describe <input type="checkbox"/> STMT 10)		23,186,801.	58	10,363,438.		
59	Total assets (add lines 45 through 58) (must equal line 74)		5,403,115,105.	59	6,608,655,700.		
Liabilities	60	Accounts payable and accrued expenses		1,431,218,699.	60	1,785,913,428.	
	61	Grants payable			61		
	62	Deferred revenue		605,744,384.	62	661,191,899.	
	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)		2,449,406,573.	65	2,662,571,062.	
66	Total liabilities (add lines 60 through 65)		4,486,369,656.	66	5,109,676,389.		
Net Assets or Fund Balances	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			70		
	71	Paid-in or capital surplus, or land, building, and equipment fund		-63,000,000.	71	-93,999,265.	
	72	Retained earnings, endowment, accumulated income, or other funds		979,745,449.	72	1,592,978,576.	
	73	Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)		916,745,449.	73	1,498,979,311.	
	74	Total liabilities and net assets / fund balances (add lines 66 and 73)		5,403,115,105.	74	6,608,655,700.	

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.

Part IV-B	Reconciliation of Expenses per Audited Financial Statements with Expenses per Return
	NOT APPLICABLE

Part V **List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated; see page 27 of the instructions.)

[illegible]Form **990** (2003)

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

	Yes	No
76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? <i>STMT 21</i>	77	X
If "Yes," attach a conformed copy of the changes.		
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b If "Yes," has it filed a tax return on Form 990-T for this year?	78b	X
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80a 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?	80a	X
b If "Yes," enter the name of the organization <u>STMT 12</u>		
and check whether it is <input checked="" type="checkbox"/> exempt or <input checked="" type="checkbox"/> nonexempt.		
81a Enter direct and indirect political expenditures. See line 81 instructions.	81a	241.
b Did the organization file Form 1120-POL for this year?	81b	X
82a 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?	82a	X
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.)	82b	N/A
83a Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	N/A
84a Did the organization solicit any contributions or gifts that were not tax deductible?	84a	N/A
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	N/A
85 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?	85a	N/A
b Did the organization make only in-house lobbying expenditures of \$2,000 or less?	85b	N/A
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.		
c Dues, assessments, and similar amounts from members	85c	N/A
d Section 162(e) lobbying and political expenditures	85d	N/A
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	N/A
h 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?	85h	N/A
86 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12	86a	N/A
b Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87 501(c)(12) orgs. Enter: a Gross income from members or shareholders	87a	N/A
b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	N/A
88 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	88	X
89a 501(c)(3) organizations. 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 501(c)(3) and 501(c)(4) orgs. 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	89b	X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		NONE
d Enter: Amount of tax on line 89c, above, reimbursed by the organization		NONE
90a List the states with which a copy of this return is filed <u>CALIFORNIA, HAWAII, DISTRICT OF COLUMBIA</u>		
b Number of employees employed in the pay period that includes March 12, 2003 (See instructions)	90b	15204
91 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>		
92 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 <u>92</u>		N/A

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 MEMBER HEALTH CARE					13,898,748,264.
b SUPPLEMENTAL REV	524114	8,918,413.			1,077,750,549.
c NON-PLAN & INDUSTR					56,534,770.
d OTHER PROGRAM SERV	524114	10,055,866.			19,328,518.
e					
f Medicare/Medicaid payments					4,874,880,177.
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			16	1,056,103.	
98 Net rental income or (loss) from personal property					
99 Other investment income			18	82,187,579.	
100 Gain or (loss) from sales of assets other than inventory			18	-10,050,044.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b PARKING GARAGES			03	2,824,696.	
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		18,974,279.		76,018,334.	19,927,242,278.
105 Total (add line 104, columns (B), (D), and (E))					20,022,234,891.

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).
1	SEE ATTACHED STATEMENT 16

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
STMT 13	%		94,341,431.	74,142,192.
	%			
	%			
	%			

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: D. Deborah S. Stuber

Date: 11-15-04

Date: <u>11/12/04</u>	Check if self-employed: <input type="checkbox"/>	Preparer's SSN or PTIN (See Gen. Inst. W): <u>P00365375</u>
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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, INC

Employer identification number

94-1340523

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
SEE STATEMENT 17				
Total number of other employees paid over \$50,000	6592			

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
KAISER FOUNDATION HOSPITALS		
ONE KAISER PLAZA, OAKLAND, CA 94612	MEDICAL SERVICES	5805862851
SOUTHERN CALIF. PERMANENTE MEDICAL GROUP		
393 EAST WALNUT ST., PASADENA, CA 91188	MEDICAL SERVICES	3272436446
THE PERMANENTE MEDICAL GROUP		
1950 FRANKLIN, OAKLAND, CA 94612	MEDICAL SERVICES	2834750581
HAWAII PERMANENTE MEDICAL GROUP		
3288 MOANALUA ROAD, HONOLULU, HI 96819	MEDICAL SERVICES	101123386.
EMI (EMPLOYERS MUTUAL, INC.)		
700 SOUTHEAST CENTRAL PARKWY, STUART, FL	3RD PARTY ADM-AMBULN	89658848.
Total number of others receiving over \$50,000 for professional services	2128	

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>3,423,823</u> . (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.)	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? <u>STMT 18</u>	X	
b Lending of money or other extension of credit? <u>STMT 18</u>	X	
c Furnishing of goods, services, or facilities? <u>STMT 18</u>	X	
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? <u>See Form 990, Part V</u>	X	
e Transfer of any part of its income or assets?		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.) <u>STMT 19</u>		X
b Do you have a section 403(b) annuity plan for your employees?	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?		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.)

- 6 ☐ 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)(vi). (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.) **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
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	2,080,028.	1,689,081.			3,769,109.
16 Membership fees received					
17 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	17161066790	15521745505	15042154629	14221874681	61946841605
18 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	16,676,804.	32,678,098.	106527401.	181059857.	336942160.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 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					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	17179823622	15556112684	15148682030	14402934538	62287552874
24 Line 23 minus line 17	18,756,832.	34,367,179.	106527401.	181059857.	340711269.
25 Enter 1% of line 23	171798236.	155561127.	151486820.	144029345.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24 NOT APPLICABLE					
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					
c Total support for section 509(a)(1) test: Enter line 24, column (e)					
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					
e Public support (line 26c minus line 26d total)					
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					%
27 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 <u>3,769,109.</u> 16 _____ 17 <u>61946841605.</u> 20 _____ 21 _____					
d Add. Line 27a total _____ and line 27b total _____					
e Public support (line 27c total minus line 27d total)					
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e)					
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					%
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					%
28 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 of Electing Public Charities (See page 9 of 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
36	Total lobbying expenditures to influence public opinion (grassroots lobbying) . . .	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying) . . .	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	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 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	41	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

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.)

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

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
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h.)	X		
c Media advertisements		X	
d Mailings to members, legislators, or the public	X		624,426.
e Publications, or published or broadcast statements	X		5,765.
f Grants to other organizations for lobbying purposes	X		560,982.
g Direct contact with legislators, their staffs, government officials, or a legislative body	X		2,153,857.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means	X		78,793.
i Total lobbying expenditures (Add lines c through h)			3,423,823.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities **STMT 20**

15

STATEMENT OF FIXED ASSETS AND DEPRECIATION

COMBINED DIVISIONS

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 EXPENSE.

	COST		ACCUMULATED DEPREC/AMORT		2003 DEP/AMORT EXPENSE
	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR	
LAND	289,858,278	298,316,672	0	0	0
LAND IMPROVEMENTS	36,641,291	37,554,271	26,661,378	28,728,183	2,066,805
BUILDINGS	1,766,939,768	1,852,875,060	788,544,832	840,883,300	78,121,899
LEASEHOLD IMPROVEMENTS	309,496,202	413,942,898	188,973,052	212,175,532	27,507,464
EQUIPMENT	856,603,864	855,438,358	736,331,454	722,151,426	39,201,042
CAPITALIZED SOFTWARE	467,320,300	449,013,946	276,592,701	314,236,812	48,688,609
CAPITALIZED LEASES	0	46,805	0	0	0
CONSTRUCTION IN PROGRESS	127,440,341	118,875,255	0	0	0
TOTALS TO:					
PART IV, LINE 57(A)		4,026,063,265			
PART IV, LINE 57(B)				2,118,175,253	
PART IV, LINE 57(C)	1,837,196,627	1,907,888,012			
PART II, LINE 42 COLUMN (B)					195,585,819

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

DESCRIPTION	Date Acquired	Date Sold	Proceeds/ Sales Price	Cost/Basis Expense of Sale	Accum Depreciation	Gain or -Loss
See Note -	#1	#2				
GAINS AND LOSSES FROM SALE OF INVESTMENTS						
Deutsche Bank	Various	Various	3,762,333,312	3,785,559,705	-	-23,226,393
Adjustment for Impairment of Tyco Inc	Various	Various	0	1,118,938	-	-1,118,938
State Street	Various	Various	1,036,130,613	1,021,486,290	-	14,644,323
Total Realized Gains from Investments			4,798,463,925	4,808,164,933	0	-9,701,008
GAINS AND LOSSES FROM SALE OF FIXED ASSETS						
NORTHERN CALIFORNIA REGION						
Phone Systems	Various	Various	0	8,953,265	8,704,151	-249,114
Building	Various	Various	0	66,679	41,294	-25,385
Tenant/Leasehold Improvements	Various	Various	0	343,372	343,372	0
Controllable Equipment	Various	Various	16,417	20,393,275	20,298,692	-78,166
Software	Various	Various	0	7,168,894	7,168,894	0
Initial Complement Equipment	Various	Various	970	1,960,275	1,958,472	-833
Non-Controllable Equipment	Various	Various	14,300	3,179,224	3,157,527	-7,397
Non-Capital Equipment	Various	Various	0	824,738	818,330	-6,408
Autos and Trucks	Various	Various	8,450	482,356	478,840	4,934
Miscellaneous General Ledger Adjustment	Various	Various	0	0	23,283	23,283
Subtotal - Northern California Region			40,137	43,372,078	42,992,855	-339,086
SOUTHERN CALIFORNIA REGION						
Moveable Equipment	Various	05/04	318	182,872	182,774	220
Moveable Equipment	Various	06/04	10	5,533,925	5,530,702	-3,213
Moveable Equipment	Various	07/04	7,651	1,622,154	1,617,188	2,685
Moveable Equipment	Various	09/04	800	16,523,494	16,523,494	800
Sale of Vehicles	Various	Various	42,000	457,493	448,116	32,623
Miscellaneous Adjustments	Various	Various	0	82,630		-82,630
Subtotal - Southern California Region			50,779	24,402,568	24,302,274	-49,515
Hawaii						
Medical Equipment	Various	Various	0		39,565	39,565
PROGRAM OFFICE						
No Sales - Adjustment to Grid			0		0	0
Net Gains on Sales of Fixed Assets			90,916	67,774,646	67,334,694	-349,036
Combined Totals			4,798,554,841	4,875,939,579	67,334,694	-10,050,044
RECAP OF NET GAIN/(LOSS)			Investments	Fixed Assets	Combined	
ORIGINAL COST AND EXPENSE OF SALE			4,808,164,933	67,774,646	4,875,939,579	
DEPRECIATION			0	67,334,694	67,334,694	
NET COST OR OTHER BASIS			4,808,164,933	439,952	4,808,604,885	
LESS GROSS SALES PROCEEDS			4,798,463,925	90,916	4,798,554,841	
NET GAIN/(LOSS)			9,701,008	-349,036	10,050,044	

Note #1: All equipment and other fixed assets were acquired by purchase by the organization for use in its tax-exempt purpose of providing health care services on a mostly prepaid basis to its enrolled members. The organization acquired the assets on the open market at prices that were competitive with similar property at the time of acquisition.

Note #2: All equipment and other fixed assets have been disposed of either by sale to the general public, donation to other Section 501(c)(3) tax-exempt organizations or by abandonment by reason of termination of lease agreements or of options to acquire such asset. After a good faith effort to market the assets deemed no longer serviceable to the organization in its purpose, where reasonable such assets are sold to the highest offer given the condition, age, and usability of the asset.

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

December 31, 2003

STATEMENT PART III

FORM 990, PART III - STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

The primary exempt purpose of Kaiser Foundation Health Plan, Inc. (Health Plan), a California not-for-profit corporation organized for the public benefit and generally exempt from income tax under Internal Revenue Code Section 501(c)(3), and comparable state statute, is to provide a program of health care and medical services to its enrolled members as a prepaid direct care group practice Health Maintenance Organization.

Health Plan is also the sole member in five active affiliated regional health plan corporations, that are also generally exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Health Plan together with these affiliated entities made up the HMO component of Kaiser Permanente Medical Care Program (Kaiser Permanente). These affiliated regional health plans are Kaiser Foundation Health Plan of the Northwest, Kaiser Foundation Health Plan of Colorado, Kaiser Foundation Health Plan of Georgia, Inc., Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. and Kaiser Foundation Health Plan of Ohio.

Health Plan contracts with Kaiser Foundation Hospitals (Hospitals) to provide hospital and related medical services including hospice care to enrolled members of Kaiser Permanente. These services are provided either directly in facilities owned and operated by Hospitals or by contract arrangements with qualified community hospitals and other service facilities.

Health Plan contracts with The Permanente Medical Group in Northern California; with Southern California Permanente Medical Group in Southern California; and with Hawaii Permanente Medical Group in Hawaii for physician services for its enrolled members (Medical Groups). Health Plan further contracts with the affiliated Regional Health Plans to provide medical and health care services to its members when they are temporarily in the service area of the Regional Health Plan. Medical Groups contract with third party medical and health specialists that provide care to the Health Plan enrolled members on a referral basis.

Payments to Hospitals, these Medical Groups, the Regional Health Plans as well as to third party service providers represent a substantial portion of the expenditures for medical, health and hospital services reported in this information reporting return.

Please see the attachment, "Kaiser Permanente Community Benefit Report for Kaiser Foundation Health Plan, Inc. for 2003." This report provides a description of activities conducted by Health Plan in the accomplishment of its exempt purposes and for the benefit of the communities in which Health Plan and Kaiser Permanente as a whole conduct their activities.



KAISER PERMANENTE®

**COMMUNITY BENEFIT REPORT
FOR
KAISER FOUNDATION HEALTH PLAN, INC.
FY 2003**

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

*PAGE 1 of 28
STATEMENT 3
(CONTINUED)*



KAISER PERMANENTE®

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INTRODUCTION

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 with over 109,000 full-time equivalent (FTE) employees and over 11,000 contracting physicians. In California, KFHP and KFH served more than 6.2 million members, with 83,000 administrative, clerical and technical employees, as well as 8,051 Permanente physicians representing all specialties. KFHP and KFH in Hawaii served approximately 235,000 members, with 3,755 full-time employees and 353 Permanente physicians.

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 in California and Hawaii.

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 a Kaiser Permanente health plan 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 California and Hawaii, Kaiser Permanente is comprised of five separate legal organizations: KFHP, a California nonprofit public benefit corporation, and a federally qualified health maintenance organization providing both federally qualified and non-federally qualified health 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); and The Permanente Medical Group, Inc., Southern California Permanente Medical Group, and Hawaii Permanente Medical Group, Inc. (collectively, "Permanente Medical Groups"), each of which is a separate, independent multi-specialty group of physicians.

Persons enroll in Kaiser Permanente through KFHP or one of its Health Plan subsidiaries. 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 and a Permanente Medical Group to provide the required health care services.

Members receive services from Permanente Medical Groups in the respective Kaiser Permanente regions. The Permanente Medical Groups accept responsibility for professional care of Health Plan members; are responsible for their own physician recruitment, selection and staffing, and are legally separate entities independent from KFHP, KFHP and each other. The Permanente Medical Groups treat members in facilities owned, leased or contracted by KFHP 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. KFHP owns and operates 27 licensed hospitals (including three licensed hospitals with multiple campuses) in California, Hawaii and 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.

In California, KFHP medical centers are located in the cities of Anaheim, Baldwin Park, Bellflower, Fontana, Fremont, Fresno, Harbor City, Hayward, Los Angeles, Oakland, Panorama City, Redwood City, Richmond, Riverside, Roseville, Sacramento, San Francisco, San Diego, San Rafael, Santa Clara, Santa Rosa, Santa Teresa, South Sacramento, South San Francisco, Vallejo, Walnut Creek, West Los Angeles, and Woodland Hills. In Hawaii, the Moanalua Medical Center is located in the City of Honolulu on the island of Oahu.

Services provided by KFHP and membership in Health Plan are 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 performances 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 communities' 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 KFHP, 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 for 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 in 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 program priorities within the four focus areas, and the remaining 25% of funding will be directed by local operations 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, established 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, increased benefits and 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 KFHP and at medical office buildings owned or leased by KFHP. 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 or 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. Enrollees pay limited copayments, at amounts which 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 the 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 plans.
- **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. 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 KFH 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 PROGRAMS IN CALIFORNIA AND HAWAII

In 2003, Kaiser Permanente spent approximately \$641 million or approximately 2.5% of revenue, to support the Community Benefit Program in the communities. In California and Hawaii, KFHP and KFH spent approximately \$585.5 million, of which \$289.3 million is allocable to the health plan and another \$296.2 million is allocable to hospitals. A breakdown of the 2003 DCBI dollars attributable to KFHP and KFH nationally is described in Attachment A and those dollars attributable to KFHP and KFH regionally in Attachment B.

The following showcases many of the signature community benefit programs and services funded by both KFHP and KFH according to the national focus areas.

VULNERABLE POPULATIONS

KFHP and KFH expended more than \$501 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 in 2003. Of that amount, approximately \$284 million is attributed to KFHP and \$217 million is attributed to KFH. A more complete description of the DCBI attributable to KFHP and KFH is described below:

MEDICAL CARE SERVICES

KFHP spent approximately \$284 million and another \$208 million was spent by KFH to provide a variety of medical care services to under- and uninsured residents in California and Hawaii.

Dues Subsidy Programs

Over 32,000 low-income adults and children who are not eligible for other public or privately sponsored health coverage programs received care through one of Kaiser Permanente Dues Subsidy programs. KFHP committed more than \$42 million and KFH approximately \$19 million to provide subsidized care for these underserved populations in 2003.

For KFHP and KFH in California, the Steps Plan and Kaiser Permanente Cares for Kids (KPCK) Child Health Plan 1 & 2 are the specific products that form the Dues Subsidy Program.

- The **Kaiser Permanente Steps Plan** offers members the opportunity to continue their health care coverage at reduced cost when experiencing financial difficulties

due to job loss, involuntary reduction in work hours, legal separation, or divorce or death of a spouse. Typically, participants are not eligible for any public or private group health insurance plan.

The Steps Plan is available to parents of children enrolled in AIM, Healthy Families or the Kaiser Permanente Cares for Kids Child Health Plans as well as to individuals participating in vocational training programs offered through government, private industry councils and social agencies. Premiums are subsidized at four levels of 20%, 40%, 60%, and 80%. Participants, with family income between 100% and 300% of the Federal Poverty Level, are placed in an initial premium step, based on their income level. They may remain at that level for one year and then are moved to the next higher premium level. This enables them to build the health care premium cost into their budget over a one-to-four year period, based on the premium step at which they enter the plan.

- **KPCK Child Health Plan-1 (CHP-1)** opened for enrollment in September 1998 and targets uninsured children who are ineligible for public programs because their family income is too high. Income eligibility for CHP-1 is 250% to 300% of the Federal Income Guideline. Eligible children must live within one of the Kaiser Permanente Service Areas in California and be ineligible for employer-subsidized coverage. CHP-1 provides a comprehensive benefit package including preventive care, inpatient and outpatient services, prescription drugs, and vision care. CHP-1 premiums are \$15 per child per month for a maximum of three children (additional children are covered free of charge). Low co-payments exist for some services.
- **KPCK Child Health Plan-2 (CHP-2)** is a 30-month pilot program that was launched in July 2001. CHP-2 targets children who are ineligible for any government health insurance programs because of their immigration status. Eligible children must reside within one of the designated zip codes in southeast Los Angeles County, and their family income must be below 250% of the Federal Income Guideline. The benefit package is identical to that of CHP-1, except that CHP-2 also includes dental coverage. The cost per family is \$24 annually, regardless of the number of enrolled children. The families also incur low co-payments for some services.

Participation in Medicaid and Other Publicly Financed Programs

KFHP and KFH have a long history of participating in publicly financed health programs. In 2003, KFHP and KFH contributed more than \$390 million to serve this population. Approximately, \$242 million is attributed to services provided by KFHP and \$148 million is attributed to KFH.

Kaiser Permanente Medi-Cal Managed Care, Medi-Cal Fee-for-Services and Healthy Families are specific government sponsored health care coverage programs in California.

- **Medi-Cal (Medicaid)** – During 2003, KFHP enrolled 102,748 Kaiser Permanente Medi-Cal managed care members in California and provided comprehensive inpatient and outpatient care. KFHP subcontracts with local initiatives in Alameda, Contra Costa, Los Angeles, Riverside, San Bernardino, San Francisco, and Santa Clara Counties, and with county-organized health systems in Napa and Solano Counties and Orange County. Health Plan also contracts directly with the state of California through their Geographic Managed Care Plans for Sacramento and San Diego counties and through the Prepaid Health Plan for Marin and Sonoma Counties. Under these contracts, Health Plan enrolls Medicaid beneficiaries in both mandatory aid categories and non-mandatory categories, such as the aged, blind and disabled.
- **Medi-Cal Fee-for-Service (Medi-Cal FFS)** – KFHP and KFH also provided more than \$143 million in subsidized care to non-member Medi-Cal FFS patients. Of this amount, approximately \$71.4 million is attributed to services provided by KFHP.
- **Healthy Families** – KFHP enrolled 55,935 children in Healthy Families, a federal and state funded insurance program for uninsured children ages birth to 19 years old from low and moderate-income families in California. The program is the result of the federal Children's Health Initiative, which enables states to create new health care coverage or expand Medicaid programs. The program provides comprehensive health benefits including dental and vision care. To qualify, families must have total income of 100% to 250% of the federal poverty level and must be ineligible for Medi-Cal coverage.

In Hawaii, Health Plan and KFH served both Medicaid members and Medicaid Fee-for-Service beneficiaries.

Medicaid – During 2003, Health Plan enrolled 18,735 Medicaid beneficiaries in Hawaii on a prepaid basis. Health Plan expended approximately \$13 million in subsidized care. The Hawaii Region also subsidized other Medicaid beneficiaries who were not enrolled in the KFHP prepaid Medicaid program, spending approximately \$8 million.

COMMUNITY-BASED PROGRAMS

KFHP and KFH spent approximately \$7.6 million to support a variety of community programs that provide services to the uninsured, children and families in California and Hawaii. Of the amount, approximately \$400 thousand is attributed to KFHP and \$7.2 million is attributable to KFH. The programs listed below are free and open to members of the community.

Learning Centers

In 2003, KFH in California spent approximately \$2.5 million on counseling, educational, and social services for disadvantaged children and their families.

- For over 30 years, the Watts Counseling and Learning Center (WCLC) has been a valuable community resource for low income, inner city families of Watts and South Central Los Angeles. WCLC provides mental health and counseling services, assistance to children with learning disabilities, and job related services to nearby residents. In addition, they operate a state-licensed preschool and after-school child care program, conduct a summer day camp, manage support groups of Kids Can Cope (parents or siblings of children with cancer), offer scholarships for high school students entering college and train graduate social work interns from local universities.
- The Educational Outreach Program (EOP) provides educational and support services to primarily Latino youth, ages 10 to 14, in the San Gabriel Valley. The focus of EOP is to provide a unique dropout prevention program in a community setting. EOP provides nine different programs both in English and Spanish to children and parents during after-school hours and on Saturdays. The types of programs offered include the following: homework assistance and study skills classes; reading improvement classes; mother-daughter workshops, "Aprendiendo Juntas" (Learning Together); SafeSitter training; and summer enrichment sessions.

Youth and Other Employment Programs

In California, KFHP spent approximately \$2 million to fund youth employment programs aimed at improving the education and job skills of, or providing employment opportunities for, targeted populations.

- **Summer Youth** provides economically disadvantaged high school students, with supportive and meaningful employment experiences in the health care field. Young people are employed during the summer months throughout the organization. In addition to their work assignments, the youth participate in educational sessions to enhance job skills, work performance and motivational workshops. Many former Summer Youth students are now employed with the organization as nurses, assistant department administrators, lab technicians, opticians and engineers.
- **INROADS** is an organization focused on developing minority college students for leadership roles in corporations and in the community. Student interns typically work 2 to 5 summers with the organization with the goal of permanent placement upon graduation from college.

In 2003, KFHP and KFHP employed 500 California youth through these two programs.

Grants & Donations to Support Community-based Programs

KFHP and KFHP in California and Hawaii gave approximately \$2.8 million to 631 community organizations for a variety of other programs and services for vulnerable populations. Approximately, \$359 thousand is attributed to KFHP. Following are examples of the community organizations that received funding, in-kind and staff resources in 2003.

- Bay Area Partnership (BAP) provides technical assistance to school districts and community organizations, and advocates on behalf of childhood nutrition and positive activity choices. In addition to direct assistance, BAP serves as a policy link for communities and schools to the development of local, state, and federal meal and education programs. The Northern California Region's funds supported school-based programs, including outreach, grant writing, and program development; creation and facilitation of the Oakland After-school Nutrition Initiative.
- The Violence Prevention Coalition of Greater Los Angeles received a grant from the Southern California Region to support programs that reduce violence and its impact on the health and well being of residents of Los Angeles County. A portion of the fund supported the Youth Violence Prevention Peace Coalition, a countywide coalition of youth dedicated to finding peaceful solutions to violence in their communities.
- The Hawaii Region continued to support their community outreach program, whereby staff from Kaiser Permanente medical offices reach out to the community and social service organizations that serve underprivileged and vulnerable populations. Each community partnership may entail a variety of activities and financial support. Such partnerships include work with homeless resource shelters, domestic abuse shelters, and family support agencies.

EVIDENCE-BASED MEDICINE

KFHP and KFH in California and Hawaii spent approximately \$25 million to support clinical and health research activities. Of this amount, KFHP contributed \$1 million and KFH contributed \$24 million. From the beginning, research has been a core value at Kaiser Permanente. Kaiser Permanente conducts more research than any other non-academic institution in the United States. Kaiser Permanente partners with several prominent academic research institutions including Duke University, Harvard, Oregon Health & Sciences University, Stanford University, University of California Los Angeles and San Francisco, University of Southern California, University of Washington, the National Institutes of Health and the Centers for Disease Control and Prevention. A more complete description of the community benefit attributed to KFHP and KFH are described below:

Clinical and 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.

In California, KFHP has three research departments: the Division of Research (DOR), Northern California, established in 1961; Department of Research and Evaluation (R&E), Southern California, founded in the early-1980's; and Kaiser Foundation Research Institute (KFRI). Two nursing research units for KFHP in California also engage in studies on nursing practices, patient care, and patient outcomes in order to improve clinical practices. In Hawaii, for KFHP, the Center for Health Research Hawaii (CHRH) is the primary research department for the region. CHRH, DOR, KFRI, R&E together with the Northern and Southern California Nursing Research Department conducted nearly 1,200 primary research studies, published 233 articles and presented findings in 25 medical education forums and conferences. Following are a few examples of the evidence-based studies conducted in 2003.

- **Behavioral and Drug Treatment of Borderline Personality Disorder** - Individuals with borderline personality disorder (BPD) often experience repeat psychiatric hospitalizations, poor psychosocial functioning, and suicide behavior. The purpose of the study is to compare the effectiveness of medication alone to medication plus Dialectical Behavior Therapy (DBT) skills training for the treatment of BPD. In the past, patients with BPD were considered untreatable. This study adds to the growing evidence that this disorder is treatable within the context of an HMO.
- **Women's Decision-Making Experiences After Hereditary Breast and Ovarian Cancer Genetic Testing** - This study is a collaborative project with investigators at the University of San Diego School of Nursing. The purpose of the study is to determine ways women with inconclusive breast cancer (BRCA1 and BRCA 2) and positive genetic mutation test results (who have not developed breast or ovarian cancer) assign meaning, make interpretations, and respond to test results and recommendations for risk reduction and disease detection strategic interventions.
- **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 Hawaii and the Northwest Regions, 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.

- 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 both the Northwest and Hawaii Regions, 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.
- Assessing Use of Prevention and Chronic Disease Management Services in a Multi-Cultural Group Model Health Plan Population** - This applied research project aims to learn whether Kaiser Permanente, and by extension, other health plans can improve the quality of care provided to a culturally diverse member population by having a database with which to study, plan, implement and monitor health services received by demographic subgroups. Resulting recommendations will advise health plans, government agencies, and other health-related organizations whether it is important to have demographic information beyond race/ethnicity for studying and reporting on quality of care for member subgroups within a health plan service population and for comparing quality of care across service populations of different health plans.
- Prostate Cancer Prevention Trial (PCPT)** - 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 Northwest Oncology Research Department along with 39 Health Plan members participated in the seven-year long study.

Grants & Donations for Evidence-based Medicine

KFHP and KFH spent approximately \$220,000 and \$287,000 respectively on Grants & Donations to support over 43 nonprofit and academic organizations in California and Hawaii to develop and communicate data and information to establish evidence for what medical care works among diverse populations. Following are a few highlights of the evidence-based projects funded in 2003.

- KFH in the Northern and Southern California Regions jointly supported the UCLA Center for Health Policy Research for the California Health Interview Survey (CHIS). This was a multi-year grant to support data collection for the 2003 telephone survey. CHIS provide valuable information on California's racially and ethnically diverse populations on a wide range of health issues. CHIS data is widely disseminated to policymakers, researchers, and community-based organizations. A portion of the grant covered the costs to disseminate the survey results and host five community briefings. The briefings were to enhance the community's knowledge about the use of the CHIS data and results. As a result, the briefings helped stimulate a public education campaign effort for 2003 CHIS survey.
- The Regional Association of Community Clinics is composed of statewide clinic association leadership and strives to enhance the ability of California's community clinics to improve access to quality health care and reduce health disparities. The association received support from KFH in the Southern California Region to work with community clinics to redesign practices to optimize patient care access, quality care and cost efficiencies by sharing evidence-based best practices.
- KFH Northern California's grant to California Heart Disease & Stroke Prevention (CHDSP) supported the creation of a statewide advisory council. The goal of the council will be to develop a comprehensive California action plan for heart disease and stroke including population-based strategies to emphasize priority populations, policy and environmental approaches, and education. The final plan will include information from Kaiser Permanente Care Management Institute. The plan will include: a description and analysis of the heart disease and stroke burden, identification of high risk populations, a gap assessment as well as opportunities and resources, selections of objectives and evidence-based strategies and development of an evaluation plan.
- The Coalition of Orange County Community Clinics received \$50,000 from KFH Southern California to support a patient tracking system feasibility project. The project's purpose is to determine whether a community clinic countrywide patient tracking system would benefit the development of an integrated system of care for Orange County residents. The funds were used for consulting services, technology assessments, system design costs, and implementation plans.

- During 2003, KFHP and KFH in Northern and Southern California supported the California Association of Public Hospitals and Health Systems (CAPHHS) and developed a partnership to take advantage of the unique expertise and role of these organizations in the delivery of high quality health care to the diverse California population. Through this partnership, KFHP and KFH and CAPHHS are working to improve community health and to reduce health disparities in California. Six primary areas were identified as priorities for building the partnership. The priorities are chronic care management, health education, clinical education, community health, cultural competence and informing public policy.

EDUCATION

In California and Hawaii, KFHP and KFH spent approximately \$7.4 million to educate health care consumers during 2003. A more descriptive breakdown of community benefit attributed to KFHP and KFH is described below:

CONSUMERS

KFHP in California and Hawaii spent approximately \$400 thousand and KFHP expended \$7 million on community wellness and health education programs.

Community Health Education & Prevention Programs

Both KFHP and KFH provided a variety of activities and programs to assist health care consumers in managing their own health and well being. The hospitals serve as the primary site for the dissemination of health education information to both Health Plan and community members who access these facilities through the health education centers. Other programs and services are offered in various community locations. Community health education materials, programs, services and training sessions are designed to reach members of the community. The purpose is to improve health and prevent disease in adults, children, families, and teens by conducting appropriate health education interventions and sharing Kaiser Permanente health education resources.

These programs widely disseminate quality health education materials, resources and services to the community. Healthphone, Healthwise Self-Care Tip sheets, Smoker's Helpline, and LiveWise Self-Care Kits are examples of the many resources donated. Types of programs offered include Breastfeeding, HIV Prevention, Better Nutrition and Lifestyle, Coping with Chronic Diseases, and Seniors' Movement Programs. Continuing education courses and skill training sessions are also provided to community health care providers. Many of the programs and resources are provided in partnerships with community advocacy groups, community clinics, libraries, nonprofit organizations, cable television channels and schools. More than 200 health topics of print materials and videos produced by Kaiser Permanente are available to the community.

Regional Community Health Education

During 2003, the KFHP Regional Health Education Departments in Northern and Southern California undertook specific community focused projects and partnered with several nonprofit community agencies to provide additional services. Following are examples of the community programs aimed at educating health care consumers:

- **Yes, We Can Pediatric Asthma Program** – The Northern California Regional Health Education Department collaborated with Community Healthworks along with other local and national partners to develop a toolkit for community and public health clinics to better manage pediatric asthma patients.
- **Diabetes Care Management and Patient Education Training** – The Northern California Regional Health Department trained 64 community clinic nurses, nurse practitioners, and community health workers on Kaiser Permanente's Diabetes Care Management and Patient Education programs as an effort to support safety net providers.
- **Prevention & Self Care on CD-ROM** – The Southern California Regional Health Education Department together with Community Clinic Partners Program and the Community Clinic Association of Los Angeles County developed a CD-ROM with over 200 Kaiser Permanente's prevention and self-care materials. The CD-ROM contains a range of general health information for low literacy patients, parenting tip sheets on safety, feeding, and promotion of healthy behaviors, acute and chronic disease management self-care guidelines, and nutritional/dietary notes. All materials can be readily reproduced and available in several languages such as Armenian, Cambodian, Farsi, Korean, Mandarin Chinese, Russian, Spanish and Vietnamese. Forty-one copies have been given free of charge to community and school-based clinics in Los Angeles County.
- **Pediatric Obesity Training** – Over 75 community clinic personnel attended a special pediatric obesity/overweight education session conducted by the Southern California Regional Health Education Department. The training focused on promoting and disseminating a pediatric obesity toolkit for community health providers to address the growing childhood obesity epidemic.

In 2003, KFHP in Hawaii coordinated or co-sponsored 131 patient education and health promotion classes, including support groups during, days, evenings, and weekends. A total of 8,668 participants of which 1,804 were community members participated in the classes and support groups. The Health Education Department also provided on-going consultation to the Patient-Family Education Committee, promoted a "learning environment" by enlisting a common vision for piloting health educator- facilitated group appointments and expanded Tobacco Cessation Behavior Specialist's role to provide "lead" responsibilities for program coordination and management.

Kaiser Permanente Community Wellness Library

Since 2001, KFHP in California has provided an online library that offers free clinical education and consumer health education materials to community health centers, their staff and patients. The KP Community Wellness Library is a searchable web site, which contains the most current information, much of it produced by Kaiser Permanente in various formats including video, audiotape, CD, and DVD. The consumer health education materials are available for patients who wish to become better informed or those individuals who want general health information. Many of the health education subjects are in several languages including Spanish, Cantonese and Mandarin. Kaiser Permanente and community health care clinicians also have access to continuing medical education tapes, some which provide continuing education credits (CEUs), to stay abreast of the best practices in clinical care. All materials offered through the web site are available to borrow at no cost, and many may be purchased at a low cost. The web site can be accessed at <http://www.kpwellness.org>.

Educational Theatre Programs

KFHP California's Educational Theatre Programs (ETP) uses live theatre, music, comedy and drama to inspire children, teens and adults to make healthier choices and better decisions about their well-being. ETP's award-winning programs are as entertaining as they are educational. The programs were developed with the advice of teachers, parents, students, health educators, medical professionals, and professional theatre artists. All performances are delivered by professional actors who are also trained peer health educators.

Now in its 19th year, ETP's productions continue to be a free community benefit. In addition to the performances, ETP provides schools and organizations with supplementary educational materials such as workbooks, parent and teacher guides, and student wallet cards. All materials are designed to reinforce the messages presented on stage. Over 422,000 children and adults in California participated in a production by attending one of more than 1,319 performances and 318 workshops during 2003. ETP also participated in dozens of community events, festivals and seminars.

The current repertoire includes:

Zip's Great Day, a musical comedy for elementary school children about making healthy choices and avoiding conflict.

P.E.A.C.E. Signs, a conflict resolution and anti-violence program for upper-elementary school students.

Nightmare on Puberty Street, a dramatic presentation about the joys and angst of adolescence.

Secrets, an HIV/AIDS educational drama for high school students.

ETP also has a Community Troupe, which provides customized educational theatre programs and services. The troupe is currently offering a mini-production around the issue of childhood asthma.

Grants & Donations for Consumer Health Education

KFHP and KFH in California and Hawaii contributed more than \$1.8 million in community benefit funds to 189 nonprofit community-based organizations aimed at educating consumers on a wide range of health issues and topics. Approximately, \$200 thousand is attributable to KFHP. Examples of community health education programs and activities supported in 2003 are listed below.

- Established in 2002, the Asian Pacific Islander Bay Area Health Council consists of ten health care and social service nonprofit agencies based in the San Francisco Bay Area. The Council advocates on behalf of all members of the Asian and Pacific Islander communities on health related issues. They also promote wellness and disease prevention that validates complementary and alternative forms of medicine. KFH Northern California's grant was given to support the infrastructure of this recently organized council.
- KFH Southern California supported the California Literacy organization's "California Health Literacy Initiative." The California Health Literacy Initiative is an effort to collaborate individuals and organizations to develop collective, lasting solutions in addressing low literacy levels among individuals, families and communities.
- The California Adolescent Nutrition and Fitness (CANFit) Program is a statewide, nonprofit organization whose mission is to engage communities and build their capacity to improve the nutrition and physical activity status of low-income African American, Asian Pacific Islander Native American and Latino youth (10-14). CANFit program is comprised of four components: funding community-based organizations that work with target youth, sponsoring academic scholarships in the fields of nutrition and fitness for students studying in California, leveraging existing resources through collaboration with other programs, and providing training and technical assistance to youth providers. KFH Northern California's grant supported five educational sessions, community education display, one public policy forum, and expansion of their website capabilities.
- The Community Health Councils received a grant from KFH Southern California to develop a community health resource guide specifically for South Central Los Angeles residents, a high medically underserved area in Southern California. The guide lists dental, medical and mental health providers and services in a very user-friendly format. The Southern California Region partnered a numerous times with the Community Health Councils on various health efforts and projects focused on disseminating consumer health education and improving access to health care.

- In Hawaii, KFHP formed collaborative partnerships with organizations that increase awareness of the symptoms and prevention of chronic diseases like asthma, heart disease and diabetes, and other health issues. Examples include continued support and staffing of the American Diabetes Association of Hawaii's Diabetes Camp for children, and continued support of the American Lung Association's Open Airways program for asthmatic children. Such partnerships involved both monetary support and staff and physician involvement and expertise.

PUBLIC POLICY

Both KFHP and KFH recognize that public policy influences the environment in which we operate and the impact on the communities we serve. In 2003, KFHP contributed \$1.3 million and KFH contributed \$900 thousand to advance Public Policy advocacy efforts. The KFHP and KFH public policy strategy includes: building public/private partnerships to advance our population health agenda, supporting legislation that advances expanded access, health promotion and disease prevention, and convening policy makers and researchers to develop knowledge-based public policy. A more complete description of the community benefit attributed to KFHP and KFH is described below.

Institute for Health Policy (IHP)

The mission of KFHP's IHP is to advance the understanding of key health policy issues and to advocate, in collaboration with others, health policy that will improve health and the manner in which health care and financing systems serve Americans. In 2003, KFHP contributed more than \$900 thousand to support this program. Following are a few examples of IHP 2003 publications and forums:

- **Toward a 21st Century Health System: The Contributions and Promise of Prepaid Group Practice** - Alain Enthoven of Stanford University and Laura Tollen of the Kaiser Permanente IHP served as co-editors of this book. The book is intended for policymakers, academics, analysts, physicians, and others, documents the actual and potential contributions of prepaid group practice (PGP) to American health care as a model for organization and finance. Each chapter examines a different aspect of the PGP model. Chapters are written by distinguished health care scholars and leaders with national reputations.
- **Medical Liability and Patient Reform** - IHP partnered with the Reforming States Group and the Milbank Memorial Fund to convene a dialogue about the accountability of the health care industry in the context of promoting patient safety. A two-day roundtable discussion was held in January 2003 in San Francisco. The roundtable brought together 29 diverse stakeholders (including providers, consumers, labor, and regulators) essential to designing an alternative liability system, in addition to national/state researchers, policy advocates, and legal experts.

- **Fulfilling the Potential of Clinical Information Systems** - This article explores the major tenets of the clinical information technology (IT) value proposition; the barriers to broader adoption by health care organizations; and public policy that is needed to enable implementation of clinical IT systems. This white paper was used by the Commonwealth Fund in a meeting on "Accelerating IT Adoption in Health Care" held in Spring 2003.
- **Benefit Design and "Consumerism"** - IHP partnered with Humana to undertake a study, analyzing that plan's experience in offering a consumer-directed health plan (CDHP) to 10,000 of its employees and dependents in Louisville, KY. Although the study size was small (only about 500 people out of 10,000 enrolled in the CDHP), the early indications of risk segmentation cause concern.

Public Policy Forums and Legislation

KFH and KFHP participated in the following public policy forums, advisory committees and task forces in 2003:

- *California Task Force on Youth and Workplace Wellness* addresses critical issues of fitness and nutritional health in California's schools and workplaces. A TPMG physician is a member of the task force advisory committee and has also presented relevant medical findings.
- Permanente Medical Group representatives spoke at regional health briefings on teen pregnancy prevention for *California Elected Women's Organization for Education & Research (CEWAER)*.
- Provided expert testimony at the invitation of the *Joint House – Senate Task Force* on Ice and Drug Abatement regarding the treatment of persons with chemical dependency in Hawaii.
- Member of the Hawaii Uninsured Project Leadership Group. Led by the Hawaii State Department of Health, the project will develop workable plans to cover the uninsured and aims to raise awareness and improve understanding of the problem's magnitude and the consequences of a large uninsured population.

In 2003, KFHP and KFHP in California also actively supported several important pieces of legislation to improve the health and well being of Californians:

State Assembly Bills (AB)

- AB 195 (Wilma Chan, D-Oakland) School Nutrition Education sponsored by the California Center for Public Health Advocacy - School health education must include information on obesity prevention.

- AB 11 (Rebecca Cohn, D-Saratoga) - Proclaimed Oct. 8, 2003 as “Health Cares About Domestic Violence” Day.

State Senate Bills (SB)

- SB 677 - (Deborah Ortiz, D-Sacramento) California Childhood Obesity Prevention Act - Bans sale of certain beverages in schools.
- SB 78 (Tom Torlakson, D-Antioch) Physical Education - Requires quality physical activity in schools.
- SB 71 (Shelia Kuehl, D-Santa Monica) California Comprehensive Sexual Health Prevention Education Act - Authorizes schools for comprehensive sexual health education, including HIV/AIDS prevention.
- SB 2 (John Burton, D-San Francisco) Employer Mandated Health Care Coverage.

In Hawaii, KFHP and KFH also supported the following legislative bills.

State House (HB) Bills

- Practice of Pharmacy (HB123) - Allows pharmacists to dispense emergency contraceptives.
- Professional Counselors (HB1412) - Licenses professional mental health counselors.

State Senate (SB) Bills

- State Funds (SB1305) - State funding for the Hawaii Poison Center for the first time in several years.
- Mental Health (SB1321) - Amend the definition of serious mental illness and made permanent expanded benefits past previously.

Grants & Donations for Health Care Public Policy

In addition, KFHP spent \$370 thousand and KFH spent \$880 thousand and supported 84 nonprofit organizations. Following are highlights of the public policy grant and donation efforts funded in 2003:

- KFHP Northern California supported California Pan-Ethnic Health Network's convening on statewide health policies impacting communities of color, health care reform proposals, and Ward Connerly's Initiative. The network is made up of multicultural health organization; including community-based organizations, policy experts, and health care providers. Goals of the convenings are to educate community-based organizations that serve communities of color on policy issues and to develop an advocacy agenda to be sure the needs of the communities are addressed.
- KFHP in Southern California supported a youth leadership program that helped transform 15 high school students into highly effective health advocates. Through a grant to the California Center for Public Health Advocacy, local organizers and KFHP staff worked with the students to field a school nutrition survey. The students found that most of the snacks in their local high school vending machines were unhealthy and high in sodium and fat. The students presented their survey results along with data on rates of overweight and unfit children in their assembly district at a meeting with their city councilmembers. They later testified before the Senate Education Committee in support of SB 677 (Ortiz), a bill which bans the sale of sodas in California's elementary and junior high schools. This bill will become law on July 1st 2004.
- KFHP Southern California gave a \$50,000 grant to the Mexican American Legal Defense and Education Fund (MALDEF) to support their community health outreach program. The program examined and produced budget summary documents based on California's proposed budget year. The findings assisted various public agencies, including a group of health care advocates who worked to expand health care access for California's 7.4 million uninsured residents, as well as to a coalition of children's advocates seeking increased funding for family support programs through the state budget and legislative process.
- KFHP gave the National Health Policy Forum (NHPF) at George Washington University a grant to support nonpartisan educational programs for senior federal

legislative and regulatory health staff. The NHPF objective is to foster more informed government decision making. The Forum's activities give its audience ready access to the most knowledgeable people in different levels of government, the health professions, business, labor, academia, and consumer groups—providing both information on important research findings and an infusion of practical experience into national and regional policymaking.

OTHER COMMUNITY BENEFITS

In 2003, KFHP and KFH spent \$5 million on other community benefits activities and programs beyond the national areas of focus. Of this amount, KFHP spent approximately \$2 million and KFH spent \$3 million. A more complete description of the community benefit attributed to KFHP and KFH is described below.

- KFHP provided a grant to support the National Academy for State Health Policy's project to examine the impact of recent Medicaid budget cuts on state Medicaid managed care programs. In an effort to control costs and reduce state budget deficits, states have had to implement cuts including across-the-board provider rate cuts, direct reduction in managed care rates and reductions in benefits and eligibility. All of these actions have an impact on managed care programs. This work will provide information about how states and managed care plans are implementing the recent changes and the policy, programmatic, and operational issues that must be addressed.
- KFH in Northern California supported the East Bay Leadership Foundation's (EBLF) ACCESS program utilizes scholarships, business internships, exposure activities and mentoring to help students plan a successful path to college. EBLF currently operates programs for all high school levels. First ACCESS is a two-year program for freshmen and sophomores, which focuses on high school success. These students receive personal academic skill development, exposure field trips and adult mentoring activities. ACCESS Scholarship Program is a two-year program for juniors and seniors, which prepares and supports them in their quest for college. Students receive trainings and seminars, exposure field trips and adult-mentoring activities focused on personal and academic skill development for college.
- KFH Northern California also supported the Coro's Exploring Leadership Youth Program in Oakland and San Francisco. Launched in 1998, Exploring Leadership is a summer and after-school program designed to engage high school students to become active citizens who have the tools to participate in and improve their communities. Exploring Leadership participants are 36 rising 11th and 12th graders – 18 in San Francisco and 18 in the East Bay – who are interested in expanding their leadership skills by examining community issues and existing public leadership.
- KFH in Southern California supported the Los Angeles Alliance for a New Economy City of Justice Awards Fundraising Dinner to support their work to unite labor

unions, community activists, civic leaders and other groups to improve the quality of life for the working poor. The grant supported assisting over 3,000 tourism industry workers and their family members in maintaining their health care coverage following the widespread layoffs resulting for the 9/11 tragedy.

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.

CB PRIORITY AREAS	NATIONAL HEALTH PLAN TOTAL	NATIONAL HOSPITAL TOTAL	NATIONAL CB TOTAL
VULNERABLE POPULATIONS			
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>
EVIDENCE-BASE			
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>
EDUCATION			
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>
PUBLIC POLICY			
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>
OTHER COMMUNITY BENEFITS			
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>
TOTAL	\$330,632,396	\$310,050,810	\$640,683,206

ATTACHMENT B**DIRECT COMMUNITY BENEFIT INVESTMENT PROGRAM
2003 KFHP, INC. COMMUNITY BENEFIT FINANCIALS**

The following chart summarize 2003 community benefit invested KFHP, Inc. and for KFHP in California (CA) and Hawaii (HI). The investments in the community reflected in the chart are unaudited.

CB PRIORITY AREAS	KFHP, Inc. CA & HI TOTAL	KFH CA & HI TOTAL	CB TOTAL
VULNERABLE POPULATIONS			
Medical Care Services	\$284,112,051	\$207,755,540	\$491,867,591
Community-based Programs	358,606	7,235,969	7,594,575
Other Vulnerable Populations	0	1,743,906	1,743,906
<i>Subtotal:</i>	<i>284,470,657</i>	<i>216,735,415</i>	<i>\$501,206,072</i>
EVIDENCE-BASED MEDICINE			
Research	1,012,378	14,510,948	15,523,326
Medical Libraries	0	6,260,745	6,260,745
Tumor Board & Cancer Registry	0	3,549,625	3,549,625
<i>Subtotal:</i>	<i>1,012,378</i>	<i>24,321,318</i>	<i>25,333,696</i>
EDUCATION			
Consumers	377,361	7,029,701	7,407,062
Health Professionals	\$0	\$44,056,178	\$44,056,178
<i>Subtotal:</i>	<i>377,361</i>	<i>51,085,879</i>	<i>51,463,240</i>
PUBLIC POLICY			
Public Policy Grants/Expenses	1,308,019	879,835	2,187,854
<i>Subtotal:</i>	<i>1,308,019</i>	<i>879,835</i>	<i>2,187,854</i>
OTHER COMMUNITY BENEFITS			
Other CB Grants/Expenses	2,163,462	2,962,911	5,126,373
United Way	0	166,481	166,481
<i>Subtotal:</i>	<i>2,163,462</i>	<i>3,129,392</i>	<i>5,292,854</i>
TOTAL	\$289,331,877	\$296,151,839	\$585,483,716

FORM 990, PART I - OTHER INCREASES IN FUND BALANCES

DESCRIPTION -----	AMOUNT -----
REV PY RESERVE FOR MINM PENSION LIAB	108,981,401.
CY UNREALIZED GAIN ON INVESTMENTS	271,751,229.
REV PY UNREALIZED LOSS ON INVESTMENT	104,468,886.

TOTAL	<u>485,201,516.</u>

FORM 990, PART I - OTHER DECREASES IN FUND BALANCES

DESCRIPTION -----	AMOUNT -----
CY FEDERAL INCOME TAX LIAB UBI	1,066,371.
CY OTHER EXPENSES	119,577.
INTERREGIONAL TRANSFERS	31,000,000.

TOTAL	<u>32,185,948.</u>

FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL
-----	----	-----	-----
EMPLOYEE RELATED EXPENSES	62042243.	62042243.	
EMPLOYEE DEVELOPMENT EXPENSES	15680911.	15680911.	
BASIC CONTRACTUAL PAYMENTS	3863685818	3863685818	
PURCHASED MED SVCS - OUTSIDE	1588117153	1588117153	
PROFESSIONAL FEES	46960676.	46960676.	
PURCHASED NON-MEDICAL SERVICES	106580886.	106580886.	
MEMBERSHIP DUES AND FEES	2,893,112.	2,893,112.	
DUES & SUBSCRIPTIONS - OTHER	2,185,843.	2,185,843.	
PROFESSIONAL & PUBLIC LIAB INS	215068898.	215068898.	
OTHER INSURANCE	417933606.	417933606.	
PROVISION FOR DOUBTFUL ACCOUNT	60306315.	60306315.	
BUSINESS LICENSES & TAXES	8,298,924.	8,298,924.	
PROPERTY TAXES	14930453.	14930453.	
PUBLIC COMMUNITY RELATIONS	958,157.	958,157.	
ADVERTISING & MARKETING EXPENS	34788092.	34788092.	
AMORTIZATION OF DEFERRED EXPEN	17158320.	17158320.	
BROKER COMMISSIONS	45706831.	45706831.	
INFORMATION TECHNOLOGY SERVICE	423135295.	423135295.	
INTERDIV MEDICAL SERVICES	26689383.	26689383.	
COST RECOVERIES FROM AFFILIATE	-595938441	-595938441	
MISCELLANEOUS AND OTHER EXPENS	277201836.	277201836.	
ALLOCATED ADMINISTRATIVE EXPEN		-467991345	467991345.
TOTALS	6634384311	6166392966	467991345.

FORM 990, PART IV - OTHER NOTES AND LOANS RECEIVABLE

BORROWER: COMMUNITY HEALTH PLAN
ORIGINAL AMOUNT: 30,000,000.
DATE OF NOTE: 04/01/1996
REPAYMENT TERMS: PAYABLE ON DEMAND
SECURITY PROVIDED: UNSECURED
PURPOSE OF LOAN: WORKING CAPITAL & CAPITAL PROJECTS

BEGINNING BALANCE DUE	19,162,592.
ENDING BALANCE DUE	19,162,592.

TOTAL BEGINNING OTHER NOTES AND LOANS RECEIVABLE	19,162,592.
	=====

TOTAL ENDING OTHER NOTES AND LOANS RECEIVABLES	19,162,592.
	=====

FORM 990, PART IV - INVESTMENTS - SECURITIES

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
PUBLICLY TRADED SECURITIES AND OTHER INVESTMENTS	2,311,935,415.	2,654,898,793.
	-----	-----
TOTALS	<u>2,311,935,415.</u>	<u>2,654,898,793.</u>

FORM 990, PART IV - INVESTMENTS - OTHER

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
EQUITY - OAKTREE	282,437.	282,437.
CA ECON DEV LENDING	250,000.	250,000.
COMM BANK OF THE BAY	50,000.	50,000.
HEARX WEST LLC	57,127.	57,127.
BROADLANE	8,250,000.	8,250,000.
ORDWAY INTL	120,000.	120,000.
LOKAHI ASSURANCE	1,241,610.	1,241,610.
ZONARE	850.	NONE
KPIC	24,491,802.	26,294,105.
MISC OTHER	NONE	718,706.
	-----	-----
TOTALS	34,743,826.	37,263,985.
	=====	=====

FORM 990, PART IV - OTHER ASSETS

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
INTANGIBLE PENSION ASSETS	12,047,722.	
OTHER LONG TERM ASSETS	11,139,079.	10,363,438.
	-----	-----
TOTALS	23,186,801.	10,363,438.
	=====	=====

FORM 990, PART IV - OTHER LIABILITIES

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
RESERVE - PHYSICIAN RETIREMENT	1,417,880,304.	1,503,380,152.
RESERVE - SELF-INSURED RISKS	101,076,090.	91,505,339.
RESERVE FOR PROFESSIONAL & PUB	212,638,135.	193,306,247.
RESERVE FOR WORKERS COMP RISKS	148,754,354.	256,794,125.
LONG-TERM EXTERNAL LIABILITIES	11,035,291.	314,694.
POST RETIREMENT BENEFIT LIAB	309,583,607.	356,180,109.
OTHER CURRENT LIABILITIES	115,116,136.	189,082,792.
CURRENT INSTALLMENTS LT DEBT	70,526.	13,890.
OTHER LONG-TERM LIABILITIES	133,252,130.	71,993,714.
	-----	-----
TOTALS	2,449,406,573.	2,662,571,062.
	=====	=====

KAISER FOUNDATION HEALTH PLAN, INC.

TIN: 94-1340523
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	DIRECT & INDIRECT % CONTROLLED BY KFHP, INC.	
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):				
93-0788039	KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST		100%	
84-0591617	KAISER FOUNDATION HEALTH PLAN OF COLORADO		100%	
58-1592076	KAISER FOUNDATION HEALTH PLAN OF GEORGIA, INC		100%	
52-0954463	KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES, INC.		100%	
34-0922268	KAISER FOUNDATION HEALTH PLAN OF OHIO		100%	
23-7425486	COMMUNITY HEALTH PLAN		100%	
94-3299124	KAISER HEALTH PLAN ASSET MANAGEMENT, INC		100%	
93-0954562	KAISER HEALTH ALTERNATIVES		100%	
94-3299123	CAMP BOWIE SERVICE CENTER		100%	
93-0480268	OHP		100%	
91-2171891	LOKAHI ASSURANCE, LTD		100%	
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.		100%	
94-3113684	KAISER PERMANENTE HEALTH ALTERNATIVES, INC.		100%	
94-3259432	KAISER PROPERTIES SERVICES, INC		100%	
91-1814507	CHP COMPANIES, INC		100%	
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)	N/A	
94-3299125	KAISER HOSPITALS ASSET MANAGEMENT, INC	*(2)	N/A	
KAISER FOUNDATION HEALTH PLAN, INC. IS AFFILIATED WITH THE FOLLOWING ENTITIES THAT ARE NOT EXEMPT FROM FEDERAL INCOME TAX:				
94-3245176	KAISER PERMANENTE INTERNATIONAL	*(2)	N/A	
94-3292262	KAISER PERMANENTE VENTURES	*(2)	N/A	
68-0444615	CARETOUCH, INC	*(2)	N/A	
91-2166347	KP ONCALL, LLC (elected to be treated as a disregarded entity for tax purposes)	*(2)	N/A	
94-3203402	KAISER PERMANENTE INSURANCE COMPANY	*(3)	50%	
N/A	HAMI - COLORADO, LLC (elected to be treated as a disregarded entity for tax purposes)	*(4)	N/A	
94-3289704	KAIVEST I, LLC	*(5)	N/A	
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 ORDMAN
OAKLAND, CA 94612

FORM 990, PART IX - INFORMATION REGARDING TAXABLE SUBSIDIARIES

NAME AND ADDRESS EMPLOYER IDENTIFICATION NUMBER	PERCENTAGE OWNERSHIP INTEREST	NATURE OF BUSINESS ACTIVITIES	TOTAL INCOME	ENDING ASSETS
OAK TREE ASSURANCE, LTD. ONE KAISER PLAZA, SUITE 1550L OAKLAND, CA 94612 03-0329760	100.000000	CAPTIV INSURER	1,382,038.	4,921,144.
KAISER PROPERTIES SERVICES INC ONE KAISER PLAZA, SUITE 1550L OAKLAND, CA 94612 94-3259432	100.000000	R/E BROKERAGE	852,461.	44,741.
KAISER PERMANENTE INSURANCE CO ONE KAISER PLAZA, SUITE 1550L OAKLAND, CA 94612 94-3203402	50.000000	INSURANCE	83,858,724.	65,222,411.
CHP COMPANIES, INC. ONE KAISER PLAZA, SUITE 1550L OAKLAND, CA 94612 91-1814507	100.000000	HOLDING CO.		1,000.
KAISER PERMANENTE HEALTH ALTER ONE KAISER PLAZA, SUITE 1550L OAKLAND, CA 94612 94-3113684	100.000000	MEDICAL SVCS	8,248,208.	3,952,896.
TOTAL INCOME			94,341,431.	74,142,192.

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2003

**STATEMENT LINE 50 - RECEIVABLES DUE FROM OFFICERS, DIRECTORS AND KEY EMPLOYEES
FORM 990 PART IV**

Name and Title	Original Amount	Balance of Note		Date of Note	Maturity Date	Terms	Interest Rate	Security	Purpose
		12/31/02	12/31/03						
Richard Cordova Regional President	80,000	20,000	-	6/15/99	6/15/03	Principal & Interest payable annually	5.22%	Recorded DoT	Employee Relocation
Edward Glavis Reg.Sr Vice President	80,000	20,000	-	10/27/99	10/27/03	Principal & Interest payable annually	6.02%	Recorded DoT	Employee Relocation
Joseph Hummel Sr. Vice President	100,000	40,000	20,000	10/25/99	10/25/04	Principal & Interest payable annually	5.96%	Recorded DoT	Employee Relocation
Terry Belmont Vice President	100,000	60,000	40,000	5/31/00	5/31/05	Principal & Interest payable annually	6.40%	Recorded DoT	Employee Relocation
John Doidge	40,000	20,000	-	8/31/00	8/31/03	Principal & Interest payable annually	6.33%	Recorded DoT	Employee Relocation
Adrienne Edens	50,000	25,000	12,500	11/17/00	11/17/04	Principal & Interest payable annually	6.01%	Recorded DoT	Employee Relocation
William Little	40,000	30,000	20,000	12/15/00	12/15/05	Principal & Interest payable annually	6.01%	Recorded DoT	Employee Relocation
Darren Oliver	100,000	60,000	40,000	10/4/00	10/4/05	Principal & Interest payable annually	6.22%	Recorded DoT	Employee Relocation
James Waller #1	50,000	25,000	12,500	6/23/00	6/23/04	Principal & Interest payable annually	6.40%	Recorded DoT	Employee Relocation
Donna Deckard	100,000	75,000	50,000	10/4/01	10/4/05	Principal & Interest payable annually	4.59%	Recorded DoT	Employee Relocation
Mitchell Goodstein Sr Vice President	80,000	60,000	40,000	6/15/01	6/15/05	Principal & Interest payable annually	5.02%	Recorded DoT	Employee Relocation
Gemma Tayao	20,000	15,000	10,000	6/1/01	6/1/05	Principal & Interest payable annually	5.02%	Recorded DoT	Employee Relocation
Leonid Toker	37,500	30,000	-	8/1/01	8/1/03	Principal & Interest payable annually	5.12%	Recorded DoT	Employee Relocation
James Waller #2	30,000	22,500	15,000	5/29/01	5/29/05	Principal & Interest payable annually	4.77%	Recorded DoT	Employee Relocation
Wade Overgaard	50,000	37,500	25,000	7/30/01	7/30/05	Principal & Interest payable annually	5.12%	Recorded DoT	Employee Relocation
Robert Briggs	150,000	100,000	50,000	5/15/02	5/15/04	Principal & Interest payable annually	4.99%	Recorded DoT	Employee Relocation
Carrie Harris-Muller	60,000	45,000	30,000	3/20/02	3/20/04	Principal & Interest payable annually	4.52%	Recorded DoT	Employee Relocation
Theodore Wise	100,000	100,000	75,000	5/21/02	5/21/05	Principal & Interest payable annually	4.99%	Recorded DoT	Employee Relocation
Raymond Baxter	300,000	300,000	-	5/3/02	5/3/03	Principal & Interest payable annually	3.21%	Recorded DoT	Employee Relocation

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2003

**STATEMENT LINE 50 - RECEIVABLES DUE FROM OFFICERS, DIRECTORS AND KEY EMPLOYEES
FORM 990 PART IV**

Name and Title	Original Amount	Balance of Note		Date of Note	Maturity Date	Terms	Interest Rate	Security	Purpose
		12/31/02	12/31/03						
Alide Chase	70,000	-	70,000	6/25/03	6/25/07	Principal & Interest payable annually	3.06%	Recorded DoT	Employee Relocation
George DiSalvo	52,500	-	39,375	10/15/03	10/15/06	Principal & Interest payable annually	3.65%	Recorded DoT	Employee Relocation
Lori Dutcher	70,000	-	70,000	6/27/03	6/27/07	Principal & Interest payable annually	3.06%	Recorded DoT	Employee Relocation
Kendall Hunter	85,000	-	85,000	6/16/03	6/16/07	Principal & Interest payable annually	3.06%	Recorded DoT	Employee Relocation
Jim Simpson	100,000	-	100,000	11/26/03	11/26/07	Principal & Interest payable annually	3.32%	Recorded DoT	Employee Relocation
TOTAL		<u>1,085,000</u>	<u>804,375</u>						

12/31/2003

STATEMENT 15

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 INC.
TIN: 94-1340523
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.

**KAISER FOUNDATION HEALTH PLAN INC.
EMPLOYEE COMPENSATION FOR FORM 990 REPORTING PURPOSES
FOR TAX YEAR 2003**

TOP FIVE EMPLOYEES							
NAME	TITLE	HOURS	(C1) COMPENSATION PRE-2003	(C2) COMPENSATION 2003	(D1) BENEFITS 2003	(D2) BENEFITS PAID 2004	(E) EXP ACCT/ OTHER ALLOW.
		see note 7	see notes 3 & 4	see notes 3 & 4	see notes 4 & 5	see Notes 3, 4 & 5	see notes 3, 4 & 6
DENNIS O FLATT	VP	40	277,214	531,588	60,256	96,508	-
JAMES SAMUEL *	VP	40	81,288	246,430	1,161,295	-	-
JAMES H WALLER	VP	40	347,881	365,121	60,748	91,103	22,673
DRESDENE FLYNN-WHITE	VP	40	76,208	272,550	532,036	-	-
GARRY L HURLBUT	VP	40	169,349	349,708	224,630	133,201	-

NOTES: See Statement 15A for notes applicable to the above reporting.

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2003

**STATEMENT ABOUT ACTIVITIES
STATEMENT SCH A P III LN 2
FORM 990, SCHEDULE A, PART III, LINE 2**

As reflected in Statement Line 80, related and Affiliated Corporate Entities, Kaiser Foundation Health Plan, Inc. (Health Plan) was affiliated with other organizations both exempt and non-exempt. During the year, in the normal course of business in carrying out the exempt charitable 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 to these other organizations. Health Plan may have also entered into these types of transactions with organizations whose officers were members of the Board of Directors of Health Plan. Generally, such transactions would have been at a price which is not less than cost nor more than fair-market-value at the time of the transactions.

Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals have guarantee agreements with one another and with various Health Plan subsidiaries in which Health Plan and Hospitals guarantee substantially all obligations of each other and of the Health Plan subsidiaries.

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2003

**STATEMENT ABOUT ACTIVITIES
STATEMENT SCH A P III LN 3
FORM 990, SCHEDULE A, PART III, LINE 3**

Health Plan generally is not a grant making organization and as such has not made any grants or charitable disbursements during the year of the nature contemplated in this question. When such donations are made they are made directly to organizations qualified for tax exemption under the provisions of Internal Revenue Code Section 501(c)(3) or they are made indirectly for the benefit of such qualified organizations in sponsorship of an activity that is of benefit to the community.

Health Plan provides its services directly to the enrolled members of the Kaiser Permanente Medical Care Program through its mostly prepaid health care programs. For an explanation of these programs and those that benefit the community, please refer to the "Kaiser Permanente Benefit Report for Kaiser Foundation Health Plan, Inc. for 2003" which is included as a part of this return.

December 31, 2003

**INFLUENCE LEGISLATIVE MATTER
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 profession 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 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 the 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.

KAISER FOUNDATION HEALTH PLAN, INC.

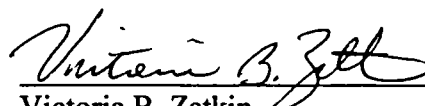
OFFICER'S CERTIFICATE

Dated: February 24, 2004

I, the undersigned, Victoria B. Zatkin, the Assistant Secretary of Kaiser Foundation Health Plan, Inc., a California nonprofit public benefit corporation (the "Corporation"), do hereby certify that:

1. Attached hereto as Exhibit A is a full, true and correct copy of the Certificate of Amendment to Articles of Incorporation of the Corporation (the "Amendment") as filed with the California Secretary of State on March 18, 2003. I further certify that the Amendment is in full force and effect as of the date hereof, and no further amendment to or other document relating to or affecting the Articles has been approved by the Board of Directors of the Corporation or filed with the Secretary of State.
2. Attached hereto as Exhibit B 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

STATEMENT 21
Page 1 to End

EXHIBIT A

Certificate of Amendment of Articles of Incorporation of
Kaiser Foundation Health Plan, Inc.

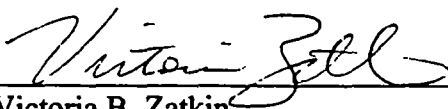
KAISER FOUNDATION HEALTH PLAN, INC.

OFFICER'S CERTIFICATE

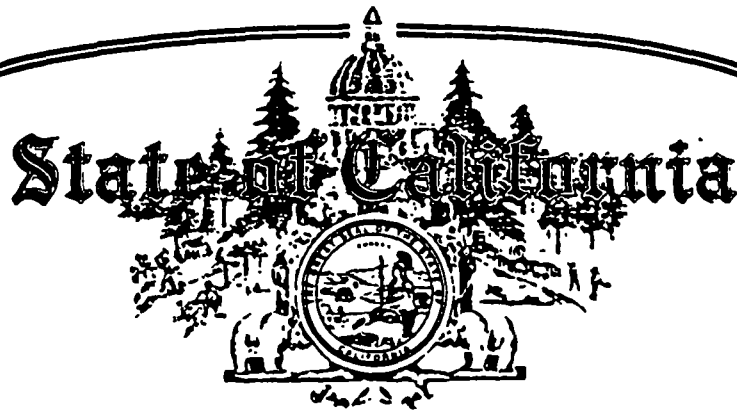
Dated: February 6, 2004

I, the undersigned, Victoria B. Zatkin, hereby certify that I am Assistant Secretary of Kaiser Foundation Health Plan, Inc., a California nonprofit public benefit corporation (the "Corporation"). I further certify that attached hereto is a full, true, and correct copy of the Certificate of Amendment to Articles of Incorporation of Kaiser Foundation Health Plan, Inc. (the "Amendment"). I further certify that the Amendment is in full force and effect as of the date hereof, and no further amendment to or other document relating to or affecting the Articles of Incorporation has been approved by the Board of Directors or shareholders of the Corporation or filed with the California Secretary of State.

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



Victoria B. Zatkin
Assistant Secretary



SECRETARY OF STATE



I, *Kevin Shelley*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

MAR 26 2003



Kevin Shelley
Secretary of State

**CERTIFICATE OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
KAISER FOUNDATION HEALTH PLAN, INC.**

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

MAR 18 2003

KEVIN SHELLEY
Secretary of State

George C. Halvorson and Kirk E. Miller certify that:

1. They are the President and the Secretary, respectively, of Kaiser Foundation Health Plan, Inc. a California nonprofit public benefit corporation.
2. Article THREE of the Articles of Incorporation of Kaiser Foundation Health Plan, Inc. is amended to read as follows:

"THREE: The corporation's principal purpose is to establish and maintain nonprofit comprehensive, predominantly prepaid, direct service health care plans at reasonable cost for members of the public, without regard to age, sex, race, religion or national origin. The corporation's related purposes are to promote and encourage advancement and improvement of the nation's health care services on a cost-effective basis; to participate in activities designed and carried on to promote the community's general health; to support the tax-exempt purposes of this corporation's subsidiaries, and of Kaiser Foundation Hospitals and its subsidiaries, by the provision of administrative support services; and, subject to Article SIX, to support such other charitable, scientific, educational and hospital endeavors as the corporation may deem advisable."


3. The foregoing amendment to the Articles of Incorporation of Kaiser Foundation Health Plan, Inc. was duly approved by consent of the Board of Directors at a meeting on March 5, 2003.
4. The corporation has no members.

5. We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: March 17, 2003



George C. Halvorson
President



Kirk E. Miller
Secretary



EXHIBIT B

Bylaws of Kaiser Foundation Health Plan, Inc.

**BYLAWS OF
KAISER FOUNDATION HEALTH PLAN, INC.**

**ARTICLE A
PURPOSES**

Section A-1. Principal Purpose.

This corporation exists for the principal purpose of establishing and maintaining nonprofit comprehensive, predominantly prepaid, direct service health care plans at reasonable cost for members of the public, without regard to age, 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; to support the tax-exempt purposes of this corporation's subsidiaries, and of Kaiser Foundation Hospitals and its subsidiaries, by the provision of administrative support services; 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 public benefit corporation and is not organized for the private gain of any person. This corporation is organized under the California Nonprofit Public Benefit Corporation Law 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 1986 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 plans and related activities, shall conduct its activities and shall offer the services and

benefits of its plans 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 office of this corporation shall be located at the Ordway Building, Kaiser Center, One Kaiser Plaza, Oakland, Alameda County, California. The Board of Directors may change the location of the principal office at any time.

Section B-2. Other Offices.

This corporation may at any time establish other offices.

ARTICLE C

DIRECTORS

Section C-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 California law to directors of California public benefit corporations, acting as a board, 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 the Articles of Incorporation and 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;
- (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 of 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 C-2. Number.

The number of Directors may be changed at any time by amendment of these Bylaws by the Board of Directors. Until changed by the Board of Directors, 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. Each Director of this corporation shall also serve as a Director of Kaiser Foundation Hospitals, a California nonprofit public benefit corporation ("Hospitals"). The Secretary of this corporation shall provide prompt written notice to the Secretary of Hospitals of every change in the membership of the Board of this corporation.

Section C-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 C-4, is removed in accord with law, or is removed by a vote of the majority of the Directors then in office provided that the notice of the meeting of the 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 C-2. The resignation of any Director

from the Board of Hospitals shall be effective as a resignation from the Board of this corporation.

Section C-4. Election and Term of Office.

The Governance and Conduct of Business Committee shall make recommendations to the Board of Directors regarding nominees for Board membership.

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 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 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 a majority of the remaining Directors at any Board meeting. Each Director shall hold office until the end of his other term, or until he or she shall resign, become unable to serve as a Director, or be removed in accord with Section C-3.

Section C-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 the principal office.

(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. Meetings shall be held upon at least four days' notice by first class mail or forty-eight hours' notice delivered personally or by telephone or telegraph. 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 C-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. If the meeting is adjourned for more than twenty-four hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section C-6. Action Without a Meeting.

(a) By Unanimous Consent. 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.

(b) By Telephone. Meetings of the Board of Directors may be held by telephone if all Directors participating in such a meeting can hear one another.

ARTICLE D

OFFICERS

Section D-1. Officers.

The officers of the corporation shall be a Chairman of the Board, a President, one or more Executive or National 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 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 D-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 D-3. Subordinate Officials.

The Chairman of the Board or the 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 Senior Vice President or Vice President shall have authority to sign contracts and other documents on behalf of the corporation.

Section D-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 D-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 D-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 D-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.

Section D-8. Executive or National Senior Vice President.

Each Executive or National 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 Executive or National 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 National Senior Vice President shall have such other powers and duties as the Board of Directors or President shall designate or as the Bylaws may provide.

Section D-9. Secretary.

The Secretary shall be responsible for keeping a book of minutes at the principal office of the corporation 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 D-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 E
COMMITTEES

Section E-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 E-2. Action Without a Meeting.

(a) By Unanimous Consent. 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.

(b) By Telephone. Meetings of committees may be held by telephone if all committee members participating in such a meeting can hear one another.

Section E-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 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 actions and decisions.

Section E-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 F

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

Section F-1. Definitions.

As used in this Article:

(a) "agent" means any person who: (i) is or was a Director, officer, employee, or other agent of this corporation; or (ii) who is or was serving at the request of this corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or (iii) who was a director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor corporation of this corporation or of another enterprise at the request of the predecessor corporation;

(b) "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative;

(c) "special proceeding" means: (i) an action by or in the right of this corporation to procure a judgment in its favor; (ii) an action brought under California Corporations Code §5233; or (iii) an action brought by the California Commissioner of Corporations or the California Attorney General, or a person granted relator status by the California Attorney General, for any breach of duty relating to assets held by this corporation in charitable trust; and

(d) "expenses" includes attorneys' fees and costs, reasonable fees and costs of consultants and experts, reasonable filing and processing charges and necessary

and reasonable travel and related costs, and any expenses of establishing a right to indemnification under Section F-2 or F-5(b).

Section F-2. Agent Successful on the Merits.

To the extent that an agent has been successful on the merits in the defense of any claim or cause of action or portion thereof in any proceeding in which such agent was a party or was threatened to be made a party to such proceeding, in either case, by reason of the fact that such agent is or was an agent of this corporation, or in defense of any claim, issue, or matter therein, this corporation shall promptly indemnify the agent in full against expenses actually and reasonably incurred by the agent in connection therewith.

Section F-3. Settlements and Proceedings (Other Than Special Proceedings and Settlements Related Thereto) When Agent Not Successful on the Merits.

Upon making an affirmative determination pursuant to Section F-5, and subject to Section F-7, this corporation shall promptly indemnify any agent who was or is a party or is threatened to be made a party to any proceeding other than a special proceeding by reason of the fact that the agent is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any such proceeding, if the agent acted in good faith and in a manner the agent reasonably believed to be in the best interests of this corporation and, in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any proceeding by

judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the agent did not act in good faith and in a manner which the agent reasonably believed to be in the best interests of this corporation or that the agent had reasonable cause to believe that the agent's conduct was unlawful.

Section F-4. Special Proceedings When Agent Not Successful On the Merits.

Upon making an affirmative determination pursuant to Section F-5, and subject to Section F-7, this corporation shall promptly indemnify any agent who was or is a party or is threatened to be made a party to any threatened, pending or completed special proceeding by reason of the fact that the agent is or was an agent of this corporation, against expenses actually and reasonably incurred by the agent in connection with the defense or settlement of such a proceeding if the agent acted in good faith, in a manner the agent believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

No indemnification shall be made under this Section:

(a) With respect to any claim, issue or matter as to which the agent shall have been adjudged to be liable to this corporation in the performance of the agent's duty to this corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, the agent is fairly and reasonably entitled to indemnity for the expenses, which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval, unless it is settled with the approval of the California Attorney General.

Section F-5. Authorization of Indemnification When Agent Not Successful on the Merits.

Any indemnification under Section F-3 or F-4 shall be made by this corporation only upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section F-3 or F-4, by:

(a) A majority vote of a quorum consisting of Directors who are not parties to such proceeding; or

(b) The court in which such proceeding is or was pending upon application made by this corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

Section F-6. Advance of Expenses.

Expenses incurred in defending any proceeding may be advanced by this corporation before the final disposition of the proceeding upon receipt of an

undertaking satisfactory in form and amount to the Board of Directors by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section F-7. Other Limitations on Indemnification.

Nothing in this Article shall affect any right to indemnification to which an agent other than a Director or officer is entitled by contract, but, except as provided in Section F-2 and F-5(b), no indemnification or advance shall be made under this Article if inconsistent with:

- (a) A contract, or with the Articles of Incorporation and Bylaws of this corporation, in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid; or
- (b) Any condition expressly imposed by a court in approving a settlement.

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

Notwithstanding the above provisions, the corporation shall indemnify agents to the fullest extent permitted by law.

Section F-9. Insurance.

This corporation shall have the power to purchase and maintain insurance on behalf of any agent against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under

the provisions of this Article; provided, however, that this corporation shall have no power to purchase and maintain such insurance to cover or indemnify any agent of the corporation for a violation of California Corporations Code §5233 or (relating to self-dealing transactions).

Section F-10. Employee Benefit Plan Fiduciaries.

With respect to any proceeding against a person who is a trustee, investment manager or other fiduciary of an employee benefit plan, for acts or omissions relating to such person's fiduciary responsibilities with respect to such plan, this corporation shall indemnify those fiduciaries who are Directors, officers or employees of the corporation, to the maximum extent permitted by law, notwithstanding any other provision of this Article to the contrary.

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 at any reasonable time and for any purpose reasonably related to his or her interests as a Director. Such inspection may be made in person, or by any agent or attorney designated by the Director 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 and Minutes.

The original or a certified copy of the Bylaws, together with all amendments thereto, and the minute book shall be kept at the principal office of the corporation 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.

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 California Nonprofit Public Benefit Corporation Law, 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 California Nonprofit Public Benefit Corporation Law.

(b) By Directors. These Bylaws may be amended by majority vote of the Board of Directors at any meeting, provided a quorum of such Board is present and voting.

KAISER FOUNDATION HEALTH PLAN, INC.

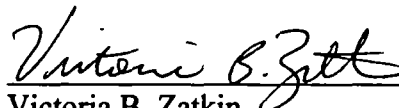
OFFICER'S CERTIFICATE

Dated: February 24, 2004

I, the undersigned, Victoria B. Zatkan, the Assistant Secretary of Kaiser Foundation Health Plan, Inc., a California nonprofit public benefit corporation (the "Corporation"), do hereby certify that:

1. Attached hereto as Exhibit A is a full, true and correct copy of the Minutes of a Meeting of the Board of Directors of the Corporation held on October 27 and 29, 2003, during which meeting the Board of Directors approved the dissolution of Kaiser Foundation Health Plan of Kansas City, Inc.
2. Attached hereto as Exhibit B is a full, true and correct copy of the Not for Profit Corporation Dissolution by Written Consent of Kaiser Foundation Health Plan of Kansas City, Inc. as filed with the Kansas Secretary of State on November 26, 2003.

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



Victoria B. Zatkan
Assistant Secretary

EXHIBIT A

**Minutes of a Meeting of the Board of Directors of
Kaiser Foundation Health Plan, Inc.**

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF
KAISER FOUNDATION HEALTH PLAN, INC.**

A meeting of the Board of Directors of Kaiser Foundation Health Plan, Inc. ("Health Plan"), was held at the Ritz Carlton Hotel, Marina del Rey, California, on October 27 and 29, 2003, pursuant to notice of the time and place of such meeting mailed to all Directors. A copy of said notice and an affidavit of its mailing are appended to these minutes.

October 27, 2003

Directors Present:	Barbara Davis Blum Thomas W. Chapman, EdD Daniel P. Garcia George C. Halvorson	Henry M. Kaiser Robert L. Ridgley Cynthia A. Telles, PhD
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Directors Absent:	David R. Andrews Christine K. Cassel, MD J. Neal Purcell Mary E. Reres, EdD Barry Lawson Williams
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Others Present:	Raymond M. Baxter Robert E. Briggs Robert M. Crane Francis J. Crosson, MD J. Clifford Dodd Louise Liang, MD Leslie A. Margolin	Arthur Southam, MD Bernard J. Tyson Sharon Virgo Warner B. Wims Steven R. Zatzkin Victoria B. Zatzkin
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Mr. Richard Cordova, Southern California Regional President; Dr. Oliver Goldsmith, Medical Director of the Southern California Permanente Medical Group; and Dr. Jeffrey Weisz, Medical Director-Elect of the Southern California Permanente

Southern California Follow-up.

Mr. Cordova and Dr. Goldsmith joined the session and thanked the Board for holding its meeting in the Southern California Region. Both noted that the Board's presence served to acknowledge, recognize, and support the hard work being done by the Region. After a brief discussion and a question and answer period, Mr. Cordova and Dr. Goldsmith were excused from the meeting.

Georgia Hospital Strategy.

Ms. Leslie Margolin introduced Ms. Carolyn Kenny, Georgia Regional President, and Dr. Bruce Perry, Medical Director of The Southeast Permanente Medical Group, Inc., who joined the meeting to discuss with the Board the Georgia Region's hospital strategy.

Ms. Kenny provided an overview of the Atlanta market. She noted that Atlanta has twice the square miles of Los Angeles and one-third the population. One challenge facing the Region is how to expand into surrounding communities. There are over 40 hospitals in the Atlanta metro center, with no dominant hospital system, but multiple strong, mostly non-profit hospitals, and one large public hospital.

Ms. Kenny discussed the Region's current hospital strategy and hospital relationships. These include core relationships, where the majority of Kaiser Permanente members go for inpatient care; affiliate relationships, that support geographic needs and point-of-service products; contract relationships, that comprise a select network for point-of-service products; and special service contracts, that provide specialty care.

factors driving change in the organization's sales and marketing functions, and noted that competitive challenges have complicated Kaiser Permanente's product portfolio, pricing and underwriting, distribution channels, and sales and account management functions. He reviewed performance enhancement activities, which include improvements in forecasting, sales and market planning, training and development, sales force management, account planning and management, broker and consultant relationships, market segment focus activities, total replacement products (mall/exchange initiatives), and leadership enhancement.

Executive Committee Report.

Compensation Governance Study

Ms. Barbara Davis Blum provided a status report on the compensation governance study being conducted by outside consultant Watson Wyatt. The committee will meet on November 21, 2003 in the Dallas-Ft. Worth airport to review results of the study, and will make recommendations to the full Board in December.

Strategic Update

Ms. Blum reported that the committee received an update on strategic issues and operations, and issues related to margin, capital and the strategic plan.

WHEREAS, Board member Neai Purcell, who has an employment history with KPMG, was not in attendance at either the committee meeting or the Board meeting to avoid any involvement with the auditor selection process; and Board and committee member Barbara Blum recused herself from the external auditor selection process, because she has a close relative employed by KPMG; and

WHEREAS, in early 2003, the Committee determined that it would be appropriate to enter into a bidding process for an external auditor for 2004; and

WHEREAS, the Committee and Deloitte & Touche mutually determined that Deloitte & Touche's substantial consulting relationship with Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals would be incompatible with a continuation as external auditors; and

WHEREAS, the Committee instructed the Chief Financial Officer to conduct a Request for Proposal process to select independent auditors for 2004. The selection process included:

- Issuance of a Request for Proposal for audit services for 2004 to a short list of national audit firms designated by the Committee.
- Receipt and review of the two firms' responses to the Request for Proposal.
- Interviews with both firms by national and regional management.
- Reference checks by management.
- Interviews with both firms by the Committee, which were conducted at a special meeting of the Committee on October 27, 2003; and

WHEREAS, after full consideration and an extensive review process, including detailed review of the firms' responses to the Request for Proposal, personal interviews, discussion with management and review of the experience and qualifications of both firms, the Committee determined that both firms were fully qualified, but selected KPMG as the best choice for the independent auditor for 2004; and

WHEREAS, the Committee has reached an understanding with KPMG regarding reasonable base audit fees, charges and expenses over a four year period, and has instructed the Chief Financial Officer to execute an engagement agreement with KPMG reflecting the agreement between parties.

NOW, THEREFORE, BE IT RESOLVED, that at the meeting on October 28, 2003, the Audit and Compliance Committee appointed KPMG as the external auditor for Kaiser Foundation Health Plan, Inc. and its subsidiaries and Kaiser Foundation Hospitals and its subsidiaries for 2004.

RESOLVED, that changes to the previously-approved budgets for the Stockton 46 provider office medical office building, a Northern California Region project, as presented at this meeting, is approved.

Mr. Ridgley reported that the committee recommends approval of acquisition of 2000 Broadway (\$25.0 million) in Oakland, California. This project is described in Attachment 1, attached. It is recommended that the expenditures be approved.

After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the expenditure of \$25.0 million for acquisition of 2000 Broadway in Oakland, California, is approved.

Report Regarding Terrorism Risk Financing and Insurance

Mr. Ridgley reported that Kaiser Foundation Hospitals ("Hospitals") and Kaiser Foundation Health Plan, Inc. ("Health Plan") are concerned about the financial impact of a potential terrorist or other catastrophic event (such as earthquake or epidemic), which could result in significant injury to members, employees and staff/physicians, damage to or loss of use of facilities, and/or financial impact due to substantial unexpected medical expenses in caring for members. Management of Hospitals/Health Plan has explored various financial and insurance options and products available in the market so as to provide financial protection in the event of a terrorist or other catastrophic event, and recommends the purchase of both a contingent capital facility and terrorism insurance, as described below.

I. Contingent Capital Facility

Management of Hospitals/Health Plan proposes to arrange or obtain up to a \$300 million customized contingent capital facility and to borrow as needed thereunder upon occurrence of specified catastrophic events such as terrorism, earthquake or

defined as an event, including nuclear, biological and chemical, emanating from both foreign and/or domestic sources, but excluding war. It is expected that the amount of such insurance would cover up to \$200 million with a deductible between \$75 million to \$125 million. Management of Hospitals/Health Plan requests (1) authorization to negotiate with insurers for the purchase of such insurance, at the best price possible, and (2) authority to purchase such insurance for 2004 at a premium of up to \$15 million.

Management recommends that Hospitals and/or Health Plan be authorized to negotiate and purchase, at the best price possible, the contingent capital facility and integrated terrorism insurance, as described generally above.

After discussion, upon motion duly made and seconded, the following resolution was approved for Health Plan's contingent capital facility:

WHEREAS, Kaiser Foundation Hospitals ("Hospitals") and Kaiser Foundation Health Plan, Inc. ("Health Plan") are discussing with a financial institution(s) the possible terms and conditions of new capital facility(ies) allowing Hospitals to borrow as needed thereunder upon occurrence of specified catastrophic events such as terrorism, earthquake or epidemic; and

WHEREAS, the financial institution(s) has requested that Health Plan guarantee the repayment of any indebtedness, interest, fees and expenses outstanding under the new capital facility(ies);

WHEREAS, the obligations of Hospitals under such new capital facility(ies) shall be guaranteed by Health Plan; and

WHEREAS, it is in the best interests of Hospitals and Health Plan for the above capital agreement(s) and guarantee(s) to be entered into;

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1. Any one of the Chairman, President, Chief Financial Officer or Vice President and Treasurer of Health Plan (each of whom is an "Authorized Financial Officer") and/or any one of the Senior Vice President and General Counsel or Special Finance Counsel of Health Plan (each of whom is an "Authorized Legal Officer" and together with the Authorized Financial Officer, "Authorized Officers") be and they hereby are duly authorized to approve the terms, provisions and forms of (a) a new guarantee

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1. Any one of the Chairman, President, Chief Financial Officer or Vice President and Treasurer of Health Plan (each of whom is an "Authorized Financial Officer") and/or any one of the Senior Vice President and General Counsel or Special Finance Counsel of Health Plan (each of whom is an "Authorized Legal Officer" and together with the Authorized Financial Officer, "Authorized Officers") be and they hereby are duly authorized to approve the terms, provisions and forms of (a) a new insurance policy(ies) between Health Plan and/or Hospitals and a financial institution(s) (the "New Policy") in a premium amount not to exceed \$15 million, in such form and upon such terms and conditions as the Authorized Representatives executing the New Policy on Health Plan's and/or Hospitals' behalf may approve, and (b) any and all other documents which one of the Authorized Financial Officers and/or one of the Authorized Legal Officers deem necessary or advisable in order to consummate the closing of the New Policy and otherwise to effectuate the purposes of these resolutions and the transactions contemplated hereby (all of which documents represent "Policy Documents"), approval of Policy Documents to be conclusively evidenced by execution and delivery thereof; and

Section 2. The Chairman, President, Chief Financial Officer or Vice President and Treasurer of Health Plan be and each hereby is authorized and directed to execute and deliver, for and on behalf of Health Plan, said Policy Documents as approved both as to form and content by one of the Authorized Financial Officers and one of the Authorized Legal Officers, such approval to be conclusively evidenced by such execution; and

Section 3. The Secretary or any Assistant Secretary of Health Plan is hereby authorized and directed to attest the signature of the Chairman, President, Chief Financial Officer or Vice President and Treasurer and to affix and attest the seal of Health Plan as may be required in connection with the execution and delivery of any of the Policy Documents mentioned above; and

Section 4. The officers of Health Plan are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which said officers deem necessary or advisable in order to consummate the closing of the New Policy and otherwise to effectuate the purposes of these resolutions and the transactions contemplated hereby.

Finance Department Updates

Mr. Ridgley reported that the committee received a status report regarding pension funding for the organization.

RESOLVED, that Leslie A. Margolin and Victoria B. Zatzkin are elected as Directors of Kaiser Foundation Health Plan of Kansas City, Inc., for the terms specified.

Dr. Chapman reported that the committee recommends the election of Leslie Margolin as a director of Kaiser Permanente Health Alternatives for a term to expire in 2004.

After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Leslie A. Margolin is elected as a Director of Kaiser Permanente Health Alternatives, for the term specified.

Dr. Chapman reported that the committee recommends the election of Ellen Leonard as a director of Kaiser Health Alternatives, for a term to expire in 2004, to replace Kirk E. Miller, who has resigned.

After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Ellen Leonard is elected as a Director of Kaiser Health Alternatives for the term specified.

Dr. Chapman reported that the committee recommends the appointment of Dr. Francis J. Crosson as a member of the Board's Community Benefit Committee. Dr. Crosson will be the first external member of the committee.

After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Francis J. Crosson, MD, is appointed as a member of the Community Benefit Committee.

regarding the Northwest Region's dental program. The Dental Service Agreement would be subject to the same Board review process as the Medical Service Agreements between the various Health Plans and the Permanente Medical Groups.

To implement this structure, management recommends approval of the following proposed resolutions, which were approved by the Board of Directors of KPHA at its October 20, 2003 meeting.

After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that a managing Board of Directors for the Northwest Region's dental plan with responsibility for oversight of the Northwest Region's dental program is hereby established and shall be known as the "Kaiser Northwest Dental Board"; and

RESOLVED FURTHER, that the Kaiser Northwest Dental Board shall be comprised of at least three but not more than five individuals as determined by Kaiser Foundation Health Plan of the Northwest; and

RESOLVED FURTHER, that the Board of Directors of Kaiser Permanente Health Alternatives, as its composition may change from time to time, is hereby appointed by Kaiser Foundation Health Plan of the Northwest as the Kaiser Northwest Dental Board; and

RESOLVED FURTHER, that Cynthia Finter shall be the chair of the Kaiser Northwest Dental Board; and

RESOLVED FURTHER, that the Kaiser Northwest Dental Board shall meet regularly and minutes of its meetings shall be recorded and maintained by the Secretary or Assistant Secretary of KPHA; and

RESOLVED FURTHER, that the Chair of the Kaiser Northwest Dental Board shall provide reports regarding the performance of the Northwest Region's dental program periodically but no less than annually to the Board of Directors of Kaiser Foundation Health Plan of the Northwest; and

RESOLVED FURTHER, that all actions taken by the Board of Directors of Kaiser Permanente Health Alternatives at its meeting on October 20, 2003 are hereby ratified and shall be considered actions of the Northwest Dental Plan Board.

"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 a range of three to five Directors;" and

RESOLVED FURTHER, that Section G-7, Indemnification of Directors, Members, Officers and Employees, is amended to read:

"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 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 or 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

corporate-indemnified directors and officers, and for the corporation. Total insured limits are \$140 million for the organization and for directors and officers, with an additional \$60 million limit for non-corporate reimbursable losses to directors and officers.

Organization Chart

Dr. Chapman reported that the committee reviewed the Program's corporate organization chart.

The Governance and Nominating Committee's report was accepted and approved.

Dr. Crosson rejoined the meeting.

Report of the Quality and Health Improvement Committee.

Southern California Presentation

Dr. Cynthia Telles reported that the committee received a report from the Southern California Region's quality leaders that provided a review of the Region's performance on various quality indicators, including data for Emergency Department and hospital indicators, ORYX measures, Significant Events, and Risk Management. Also discussed were the Region's clinical measures and strategies, service and access focus areas, and results of the People Pulse survey.

Committee Charter

Dr. Telles reported that the committee reviewed and approved the draft committee charter with minor revisions.

medicine, policy, and education, and provides support to 2,200 external programs, touching more than two million people annually. Examples are Kaiser Permanente's Cares for Kids Program, which serves 8,000 low-income uninsured children not eligible for public programs, and the organization's Community Clinic Partners Program, which serves 392 community clinics.

Kaiser Permanente supports a wide range of education programs, including programs that encourage residents and medical students to volunteer in community clinics. The Educational Theater reaches about 200,000 children each year, and is now also being used in physician training.

The committee heard descriptions of research priorities for Southern California, and how community benefit funding supports that work, the use of grant funds to support community clinics, and ways in which Kaiser Permanente collaborates with its labor partners on a variety of public health issues, such as treatment of chronic conditions, to benefit local communities.

Mr. Garcia noted that the Region's Community Benefit Program has received many commendations and awards, and stated that the Region's public relations department has successfully focused the public's attention via television and radio campaigns on individual "human success stories" as a result of support from Kaiser Permanente's Community Benefit Program.

Dr. Reres expressed her appreciation to the Board for the appointment of Dr. Jay Crosson as the first external member of the Community Benefit Committee.

Dr. Crosson stated that evidence-based medicine (EBM) provides the basic answer to the question. There are two elements to EBM: evidence analysis and formulation; and EBM implementation. Examples of evidence analysis and formulation include the organization's sponsorship with Blue Cross of the Technology Evaluation Center, the Interregional New Technologies Committee (which monitors and evaluates new applications of existing medical and behavioral technologies), formulary evaluation and physician education, the Care Management Institute (CMI), and Regional guidelines and evidence summaries. EBM implementation includes the CMI implementation network, Regional pharmacy and therapeutic physician education processes, the national transplant network team, Regional benefits committees, and Regional specialty chiefs groups.

Dr. Crosson reported that Kaiser Permanente's Care Management Institute has received the American Healthways Health Plan Disease Management Leadership Award, a prestigious award given to health care organizations for innovation, leadership, outcomes-based orientation, and impact in the industry. The award recognizes the CMI for leadership in disease management.

The Directors discussed the report.

Electronic Board Binder Project.

Ms. Jean Burns, Director, Solutions Design and Consulting, Business Infrastructure, Kaiser Permanente's Information Technology Department, joined the meeting to provide an electronic demonstration of the Board Forum, the electronic Board binders project that would allow Board members to access documents

Recommendation Regarding Donation.

Mr. George Halvorson reported that it is recommended that the following donation by Kaiser Foundation Health Plan, Inc., Northern California Region, be authorized and paid:

City of Santa Clara Library for
Kaiser Permanente Health and
Wellness Collection

\$150,000, payable as follows:
\$80,000 in 2003, and
\$35,000 in 2004 and 2005

After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the donation made or recommended to be made by this corporation, as described at this meeting, is approved.

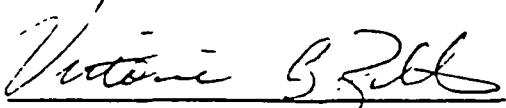
Report Regarding Dissolution of Kaiser Foundation Health Plan of Kansas City, Inc.

Mr. Halvorson reported that Kaiser Foundation Health Plan of Kansas City, Inc. is an inactive corporation that has not conducted business for some time. Management recommends that the corporation be dissolved. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that Kaiser Foundation Health Plan, Inc., as the sole member of Kaiser Foundation Health Plan of Kansas City, Inc., approves the dissolution of Kaiser Foundation Health Plan of Kansas City, Inc., a Kansas nonprofit corporation, in accordance with the provisions of the laws of the State of Kansas; and

RESOLVED FURTHER, that the officers and/or directors of Kaiser Foundation Health Plan of Kansas City, Inc. are hereby authorized to file the Not For Profit Corporation Dissolution by Written Consent Certificate with the Kansas Secretary of State for Kaiser Foundation Health Plan of Kansas City, Inc., and to take all other actions necessary or appropriate in connection with the dissolution of Kaiser Foundation Health Plan of Kansas City, Inc.

There being no further business to come before the Board, the meeting was
adjourned.


Victoria B. Zatkina, Assistant Secretary

EXECUTIVE SUMMARY**Business Unit: Program Offices****Project #:****Facility: 2000 Broadway****Project Title: 2000 Broadway****Essential Business Essence of the Proposed Project****Background**

The Division of Research occupies the entire building at 2000 Broadway in Oakland. The building was remodeled to the Divisions specifications when we entered into the lease in 2001, though the build out is generic enough to accommodate a number of different Kaiser and non-Kaiser uses. The building is currently an extension of the Kaiser "campus" which includes 1950 Franklin Street, Ordway Building, 2101 Webster Street and 1800 Harrison Street. It is close to the 20th Street BART station. The 39,199 square foot parking lot is a future office building development site that could accommodate a 200,000+ square foot building.

Moody's Investors Service has ranked Oakland in its top ten commercial real estate markets in the U.S., as measured by safest return on bonds fed by commercial-mortgage-backed securities. The rankings are based on the health of a city's multifamily housing, shopping center, industrial and office sectors.

Our current lease has eleven years remaining. A Broker's Opinion of Value (BOV) has been completed and supports the purchase price.

The Problem

Ellis Partners LLC (Landlord) is prepared to market for sale the 2000 Broadway Building. Since Kaiser Permanente occupies the entire building, Landlord has provided Kaiser with the opportunity to evaluate the purchase of the building before offering it to the investor market. Ellis indicated that they would not open the property for bids if we committed to commence negotiations to purchase the building (subject to formal approval), which we have done. We are currently in due diligence on a purchase and sale contract.

The contract purchase price for the 77,677 square foot building and adjacent land currently used for parking is expected to be \$25,000,000.

Economic Analysis

Treasury views this acquisition as a financing option. The business decision to "acquire" the capital was made when the original multi-year lease was signed. This proposal uses cash to eliminate a minimum lease obligation that is disclosed in the Annual Financial Statements. In light of this, Treasury has evaluated the cash flows using a discount rate of 6%. This is a conservative rate representing both the cost of specific financing should we choose to finance the purchase or a reasonable rate of return were we to invest in commercial real estate as a component of our investment portfolio. At 6% this project has an NPV of \$3.7 million. The Internal Rate of Return for the project is 7.8%. This NPV and the IRR are the basis for Treasury's recommendation to acquire this real estate.

The base case cash flows include a discount rate at 8.5%, which is equal to Kaiser's weighted average cost of capital. At this discount rate, the NPV is \$(1,264,000). National Facilities has estimated a residual value of \$28.2M. The residual value, developed in conjunction with the Brokers Opinion of Value, increments by 2% a year an estimated current market value of \$26M, after an estimated \$3M in refurbishment which is also included in the cash flows.

As a sensitivity, at 8.5% an increase (decrease) in residual value in 2015 is equal to an increase (decrease) in NPV of approximately 40% of the change in residual value.

It is currently anticipated that KP will require this, or similar, office space in Oakland subsequent to the conclusion of the current lease and/or that the property will be marketable at that time.

Recommendation

The recommendation is to purchase the building at 2000 Broadway in Oakland for \$25 million.

**KAISER FOUNDATION HEALTH PLAN, INC.
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EXHIBIT B

Not for Profit Corporation Dissolution by Written Consent of
Kaiser Foundation Health Plan of Kansas City, Inc.

Contact Information

Kansas Secretary of State
 Ron Thornburgh
 Memorial Hall, 1st Floor
 120 S.W. 10th Avenue
 Topeka, KS 66612-1594
 (785) 296-4564
 kssos@kssos.org
 www.kssos.org

KANSAS SECRETARY OF STATE

Not For Profit Corporation Dissolution by Written Consent

NW**53-13**

All information must be completed or this document will not be accepted for filing.

1. Name of the corporation:

Kaiser Foundation Health Plan of Kansas City, Inc.

Name must match the name on record with the secretary of state

2. All the members with voting power do hereby consent to the dissolution of the corporation.

Do not write in this space

Members' Signatures

Kaiser Foundation Health Plan, Inc.

by Peter J. Hohl

Peter J. Hohl

Officers: Name	Title	Address	City	State	Zip
see attached					

Directors: Name	Address	City	State	Zip
see attached				

I, Peter J. Hohl, declare under penalty of perjury under the laws of the state of _____, Name of officer

Kansas, that I am an officer in the above-named corporation, that the above consent has been signed by or on behalf of ALL members entitled to vote on the dissolution, and that the foregoing is true and correct.

Executed on the 22nd of November, 2003
 Day Month Year

I hereby certify this to be a true and correct copy of the original on file.

Certified on this date: Nov. 26, 2003
 Ron Thornburgh, Secretary of State

Officer's signature

Instructions

1. If this form is submitted after the close of the corporation's tax year, an annual report and franchise tax must be submitted for that year. If the corporation has forfeited, it must reinstate before dissolution.
2. Submit this form in duplicate with the \$20 filing fee.

Notice: There is a \$25 service fee for all returned checks.

U3 NOV 26 AM 10 56

FILED
KANSAS
SECRETARY OF STATE

Attachment to
Not For Profit Corporation Dissolution by Written Consent
Kaiser Foundation Health Plan of Kansas City, Inc.

List of Officers of Kaiser Foundation Health Plan of Kansas City, Inc.

Cynthia A. Finter, President
Kaiser Foundation Health Plan of the Northwest
500 NE Multnomah, Ste. 100
Portland, OR 97232

Peter J. Hohl, Vice President – Alliances and Acquisitions
Kaiser Foundation Health Plan, Inc.
1800 Harrison Street, 6th Floor
Oakland, CA 94612

Mitchell Cohen, Assistant Secretary
Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, 19th Floor
Oakland, CA 94612

Carol H. Cox, Assistant Secretary
Kaiser Foundation Health Plan, Inc.
- One Kaiser Plaza, 19th Floor
Oakland, CA 94612

Victoria B. Zatkin
Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, 19th Floor
Oakland, CA 94612

Attachment to
Not For Profit Corporation Dissolution by Written Consent
Kaiser Foundation Health Plan of Kansas City, Inc.

List of Directors of Kaiser Foundation Health Plan of Kansas City, Inc.

Bernard J. Tyson, Chair

Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, 27th Floor
Oakland, CA 94612

Cynthia A. Finter

Kaiser Foundation Health Plan of the Northwest
500 NE Multnomah, Ste. 400
Portland, OR 97232

Peter J. Hohl

Kaiser Foundation Health Plan, Inc.
1800 Harrison Street, 6th Floor
Oakland, CA 94612

Leslie A. Margolin

Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, 27th Floor
Oakland, CA 94612

Victoria B. Zatkin

Kaiser Foundation Health Plan, Inc.
One Kaiser Plaza, 19th Floor
Oakland, CA 94612

RON THORNBURGH
Secretary of State



Memorial Hall, 1st Floor
120 S.W. 10th Avenue
Topeka, KS 66612-1594
(785) 296-4564

STATE OF KANSAS

November 26, 2003

DALE S. HANSEN
LATHROP & GAGE LC
2345 GRAND BLVD
SUITE 2800
KANSAS CITY MO 64108 2684

RE: KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC.

ID. # 697813 (USE IN ALL CORRESPONDENCE WITH OUR OFFICE)

To the Corporation

A certified copy of the dissolution of the corporation named above that was recently filed in the Corporations Division of our office is enclosed.

Every corporation in Kansas is assigned an identification number. Use of this number in any correspondence with our office will give us immediate access to your file and enable us to offer you faster, more efficient service. Your corporation's identification number is at the top of this letter.

ch

S T A T E O F K A N S A S

INSURANCE DEPARTMENT

C E R T I F I C A T E O F A U T H O R I T Y

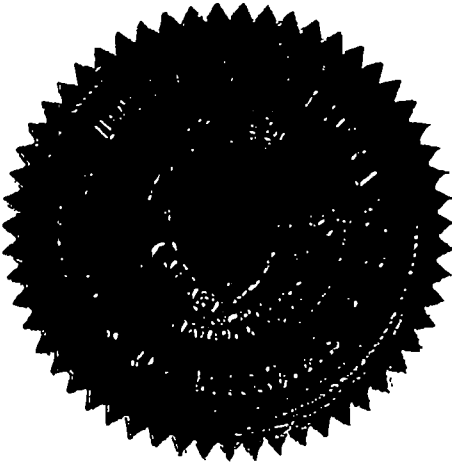
KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC.

a corporation organized under the laws of Kansas
principal office at SHAWNEE-MISSION, KANSAS

has complied with all the requirements of the insurance laws of this state applicable to said organization, and the said organization is hereby authorized and empowered to transact the following business, to wit:

HEALTH MAINTENANCE ORGANIZATION

within the State of Kansas from the 1st day of August,
19 85 until said certificate be suspended or revoked by the Commissioner
of Insurance of Kansas.



In Witness Whereof, I, FLETCHER
BELL, Commissioner of Insurance of
Kansas, have hereto affixed my signa-
ture and the seal of the Commissioner
of Insurance, in the city of Topeka,
Kansas, this 1st day of August
19 85


Commissioner of Insurance.

By _____
Assistant Commissioner

Accident and Health



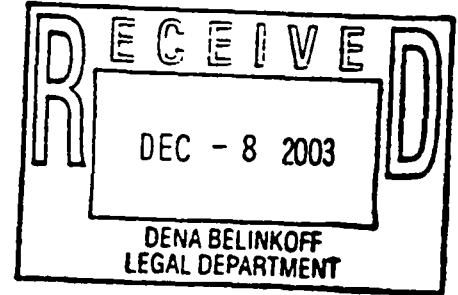
WWW.LATHROP&GAGE.COM

SUITE 2800
2345 GRAND BOULEVARD
KANSAS CITY, MISSOURI 64108-2612
(816) 292-2000, FAX (816) 292-2001

December 4, 2003

Via Hand Delivery

John W. Campbell, Esq.
General Counsel
Kansas Insurance Department
420 SW Ninth Street
Topeka, KS 66612-1678



**Re: Dissolution of Kaiser Foundation Health Plan of Kansas City, Inc.
("KFHPKC")**

Dear John:

We very much appreciated your letter of September 24, 2003 reflecting that the Department had no objection to the procedures regarding the dissolution of KFHPKC theretofore proposed by KFHPKC.

In implementing those procedures, KFHPKC has executed the previously submitted Administrative Services Agreement with Kaiser Foundation Hospitals and has made the transfers set forth in that Agreement. A copy of the executed Agreement is enclosed for the Department's files.

We also enclose a copy of KFHPKC's Consent Dissolution as recently filed with the Kansas Secretary of State and the original Kansas Certificate of Authority of KFHPKC authorizing it to conduct an HMO business.

Finally, we would request that the Commissioner reflect KFHPKC's dissolution, including the adoption of the Department's Dissolution Examination as suggested in the Department's correspondence dated April 1, 2003, by her order or other confirming action. Attached is a copy of an analogous Order entered into by the Texas Department under similar circumstances, as well as a suggested form of order for the Commissioner.

Very truly yours,

LATHROP & GAGE L.C.

By:

David Adkins
C. David Barrier

Enclosures

Change Your Expectations.

KANSAS CITY • OVERLAND PARK • ST. LOUIS • JEFFERSON CITY • SPRINGFIELD • BOULDER • WASHINGTON D.C.

John W. Campbell, Esq.
Kansas Insurance Department
December 4, 2003
Page 2

bcc: Dena R. Belinkoff
Jim Simpson

ORDER

WHEREAS, Kaiser Foundation Health Plan of Kansas City, Inc. ("KFHPKC"), a Kansas not for profit corporation, ceased doing business as an HMO after December 31, 2001; and

WHEREAS, in 2002 KFHPKC published its intention to discontinue its business in compliance with § 40-248, K.S.A., and, thereafter, the Department conducted a Dissolution Examination of KFHPKC as of June 30, 2003; and

WHEREAS, KFHPKC has entered into an Administrative Services Agreement with Kaiser Foundation Hospitals, a copy of which is on file with the Department, pursuant to which any unmatured obligations or liabilities of KFHPKC will be satisfied; and

WHEREAS, KFHPKC has filed Articles of Dissolution with the Kansas Secretary of State and has surrendered to the Department the Certificate of Authority issued by the Department and permitting KFHPKC to conduct an HMO business;

NOW, THEREFORE, it is ordered that the Report of KFHPKC's Dissolution Examination is hereby adopted, the Department's Certificate of Authority permitting KFHPKC to conduct an HMO business is accepted and cancelled, and the dissolution of KFHPKC is hereby confirmed.

Date: _____

Sandy Praeger
Commissioner of Insurance

ADMINISTRATIVE SERVICES AGREEMENT

This ADMINISTRATIVE SERVICES AGREEMENT ("Agreement"), effective as of November 24, 2003 (the "Effective Date"), is entered into by and between KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC., a Kansas nonprofit corporation ("KFHPKC"), and KAISER FOUNDATION HOSPITALS, a California nonprofit public benefit corporation ("Administrator").

RECITALS

A. KFHPKC was licensed as a health maintenance organization in the state of Kansas and ceased providing any active, in-force coverages as of December 31, 2001;

B. KFHPKC has no known outstanding liabilities (other than to Administrator and KFHPKC's other parent organization) related to the provision of medical services while it was licensed and operating as a health maintenance organization in the state of Kansas but does have contingent liabilities (together with KFHPKC's parental liabilities and any others that might arise in the course of KFHPKC's dissolution, "Liabilities");

C. KFHPKC desires to have such Liabilities administered by Administrator; and

D. Administrator is able to perform such administrative duties on behalf of KFHPKC and desires to do so.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements hereinafter set forth, the parties agree as follows:

ARTICLE I OBLIGATIONS UNDER AGREEMENT

- 1.1 KFHPKC hereby transfers to Administrator all funds related to the Liabilities so that Administrator may fulfill its obligations under this Agreement with regard to the Liabilities.
- 1.2 All Liabilities-related funds shall be handled in a fiduciary manner by Administrator on behalf of KFHPKC and shall be maintained in a separate segregated account established for such purpose and from which account Administrator shall make all Liabilities-related payments (the "Account").
- 1.3 In accordance with KFHPKC's instructions, Administrator shall determine whether and in what amounts payments should be made in resolution of Liabilities and shall make all such payments on behalf of KFHPKC.
- 1.4 Administrator shall resolve and pay or otherwise discharge all Liabilities in a timely and appropriate manner, in accordance with any and all applicable statutory and regulatory requirements.

- 1.5 In accordance with KFHPKC's instructions, Administrator shall handle all accounting with regard to the Liabilities and shall produce and maintain all records related to the Liabilities.
- 1.6 Administrator shall prepare for KFHPKC's review quarterly reports indicating the status of all Liabilities and all actions taken with regard to the Liabilities since the previous quarter's report, including information on the balance of the Account and the estimated value of all outstanding Liabilities.
- 1.7 Administrator shall in a timely manner, at KFHPKC's request or pursuant to a request made by the Kansas Department of Insurance or other appropriate governmental regulatory body, produce such reports or respond to inquiries regarding the status of the Liabilities and payments and receipts made with regard thereto.
- 1.8 Administrator shall be compensated for the provision of services under this Agreement in a commercially reasonable amount agreed to by KFHPKC, such amount(s) to be drawn from the Account.
- 1.9 Administrator's responsibilities under this Agreement are purely administrative in nature, and neither this Agreement nor any of the terms herein shall cause, or be construed as causing, Administrator to undertake or assume any of the Liabilities or any other legal obligations of KFHPKC.

ARTICLE II TERMINATION OF AGREEMENT

- 2.1 This Agreement shall terminate upon the first to occur of any of the following:
 - (a) The mutual agreement, in writing, of the parties hereto;
 - (b) A default in the performance or breach of any term, condition, covenant, duty, responsibility, or function contained in this Agreement or required by any law or regulation, which default or breach shall continue for a period of thirty (30) days after written notice to the party committing such default or breach by the other party stating the specific nature of such default or breach and requiring it to be remedied;
 - (c) The giving of sixty (60) days written notice of termination by either party to the other (with or without cause);
 - (d) Automatically, on the date all Liabilities are resolved and paid or otherwise discharged.
- 2.2 If upon termination of this Agreement funds remain in the Account, the funds shall be distributed in the following manner:
 - (a) If termination was pursuant to Section 2.1(a), (b), or (c), the funds shall be returned to KFHPKC by Administrator as soon as is reasonably possible; and
 - (b) If termination was pursuant to Section 2.1(d), the funds shall be

transferred to KFHPKC's parent organizations.

ARTICLE III MISCELLANEOUS

- 3.1 Nothing contained herein nor in any of the rules, regulations, or practices of Administrator shall be construed as creating the relationship of employer and employee between Administrator and KFHPKC.
- 3.2 The captions and headings used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof, nor shall they be utilized in the construction or interpretation of this Agreement.
- 3.3 Whenever this Agreement or law requires or permits any consent, approval, notice, request, or demand, from one party, to another, such consent, approval, notice, request, or demand must be in writing to be effective and shall be deemed to have been given on the earlier of receipt or the third business day after it is properly addressed, stamped, and deposited in the United States mail, certified, return receipt requested.
- 3.4 If any provision of this Agreement is held to be illegal, invalid, or unenforceable during the term of this Agreement, such provision shall be fully severable from the other provisions hereof. This Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never been part of this Agreement. The remaining provisions of this Agreement shall remain in full force and effect and shall not be effected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement.
- 3.5 This Agreement may be amended at any time and from time to time in whole or in part by an instrument in writing setting forth the particulars of such amendment duly executed by an authorized officer of each of the parties.
- 3.6 Neither this Agreement nor any rights or obligations of any party hereunder may be transferred or assigned by such party without the prior written consent of the other party.
- 3.7 This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings, oral or written, if any, relating to the subject matter hereof.
- 3.8 This Agreement shall be construed and interpreted in accordance with the laws of the State of Kansas.
- 3.9 One or more waivers of any covenant, term, or provision of this Agreement by any party shall not be construed as a waiver of any subsequent default or breach of the same covenant, term, or provision, nor shall it be considered as a waiver of any other existing or subsequent default or breach of a different covenant, term, or provision. The consent or approval by either party to or with respect to any act by the other party requiring such consent or approval shall not be deemed to be a waiver or render unnecessary consent to or approval of any subsequent similar act. No custom or practice of either party shall constitute a waiver of either party's rights to insist upon strict compliance with the terms of this Agreement.

3.10 This Agreement may be executed in a number of identical counterparts, each of which, for all purposes, is deemed to be an original, and all of which constitute, collectively, the Agreement.

IN WITNESS WHEREOF, KFHPKC and Administrator have caused this Agreement to be executed as of the Effective Date.

KANSAS FOUNDATION HEALTH
OF KANSAS CITY, INC.

By: Peter J. Hohl
Peter J. Hohl
Vice President – Alliances and Acquisitions

KANSAS FOUNDATION HOSPITALS

By: Peter J. Hohl
Peter J. Hohl
Vice President – Revenue Collection,
Redesign and Implementation

- 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 KAISER FOUNDATION HEALTH PLAN, INC.	Employer identification number 94-1340523
	Number, street, and room or suite no. If a P.O. box, see instructions ONE KAISER PLAZA, SUITE 1550	For IRS use only
	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 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 *Dennis Seiber* 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 of time to file. We are 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 _____

EXTENSION APPROVED**AUG 13 2004**SUBMISSION PROCESSING, OGDEN
FIELD DIRECTOR,

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
	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)

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