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Return of Organization Exempt From Income Tax

OMB No 1545-0047

2002

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

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

| | |
|--|---|
| A For the 2002 calendar year, OR tax year period beginning 1/1/2002, 2002, and ending 12/31/2002 | |
| B Check if applicable: <input checked="" 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 | C Name of organization KAISER FOUNDATION HEALTH PLAN, INC Number and street (or P O box if mail is not delivered to street address) Room/suite ONE KAISER PLAZA, SUITE 1550L City or town State or Country ZIP code OAKLAND CA 94612 D Employer identification number 94-1340523 E Telephone number (510) 271-6611 F Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ G Web site www.kaiserpermanente.org H and I are not applicable to section 527 organizations H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) If "Yes" enter number of affiliates N/A H(c) Are all affiliates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If "No" attach a list. See instructions) H(d) Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No I Enter 4-digit GEN _____ M Check <input type="checkbox"/> if the organization is not required to attach Sch B (Form 990 990-EZ or 990-PF). J Organization type (check only one) <input checked="" type="checkbox"/> 501(c)(3) (insert no) <input type="checkbox"/> 4947(a)(1) <input type="checkbox"/> 527 K Check here <input type="checkbox"/> 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. L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 25,743,219,168 |

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

(See Specific Instructions on page 16)

| | | | | | |
|--|--|----------------|----------------|--|--|
| R e v e n u e | 1 Contributions, gifts, grants, and similar amounts received | | | | |
| | a Direct public support | 1a | 819,028 | | |
| | b Indirect public support | 1b | | | |
| | c Government contributions (grants) | 1c | 1,261,000 | | |
| | d Total (add lines 1a through 1c) (cash \$ 2,080,028 noncash \$) | 1d | 2,080,028 | | |
| | 2 Program service revenue including government fees and contracts (from Part VII, line 93) | 2 | 17,177,743,594 | | |
| | 3 Membership dues and assessments | 3 | | | |
| | 4 Interest on savings and temporary cash investments | 4 | | | |
| | 5 Dividends and interest from securities | 5 | | | |
| | 6a Gross rents | 6a | | | |
| | b Less rental expenses | 6b | | | |
| | c Net rental income or (loss) (subtract line 6b from line 6a) | 6c | | | |
| 7 Other investment income (describe SEE STATEMENT LINE 7) | 7 | (26,004,848) | | | |
| 8a Gross amount from sales of assets other than inventory | (A) Securities | 8a | 1,935,710 | | |
| b Less cost of other basis and sales expenses | 8b | 1,842,611 | | | |
| c Gain or (loss) (attach schedule) | 8c | 93,099 | | | |
| d Net gain or (loss) (combine line 8c, columns (A) and (B)) | 8d | (89,623,431) | | | |
| 9 Special events and activities (attach schedule) | | | | | |
| a Gross revenue (not including contributions reported on line 1a) | 9a | | | | |
| b Less direct expenses other than fundraising expenses | 9b | | | | |
| c Net income or (loss) from special events (subtract line 9b from line 9a) | 9c | | | | |
| 10a Gross sales of inventory, less returns and allowances | 10a | | | | |
| b Less cost of goods sold | 10b | | | | |
| c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) | 10c | | | | |
| 11 Other revenue (from Part VII, line 103) | 11 | | | | |
| 12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) | 12 | 17,064,195,343 | | | |
| Ex- pen- ses | 13 Program services (from line 44, column (B)) | 13 | 16,694,307,744 | | |
| | 14 Management and general (from line 44, column (C)) | 14 | 487,461,323 | | |
| | 15 Fundraising (from line 44, column (D)) | 15 | | | |
| | 16 Payments to affiliates (attach schedule) | 16 | | | |
| | 17 Total expenses (add lines 13 and 14, column (A)) | 17 | 17,181,769,067 | | |
| Net Assets | 18 Excess or (deficit) for the year (subtract line 17 from line 12) | 18 | (117,573,724) | | |
| | 19 Net assets or fund balances at beginning of year (from line 73, column (A)) | 19 | 1,336,058,233 | | |
| | 20 Other changes in net assets or fund balances (attach explanation) SEE STATEMENT LINE 20 | 20 | (301,739,060) | | |
| | 21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) | 21 | 916,745,449 | | |

For Paperwork Reduction Act Notice, see the separate instructions

Form 990 (2002)

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 Specific Instructions on page 21.)

| 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 (cash \$ _____ noncash \$ _____) | 22 | | | |
| 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 | 24,220,047 | 24,220,047 | |
| 26 Other salaries and wages | 26 | 853,095,443 | 853,095,443 | |
| 27 Pension plan contributions | 27 | 25,842,562 | 25,842,562 | |
| 28 Other employee benefits | 28 | 264,257,883 | 264,257,883 | |
| 29 Payroll taxes | 29 | 37,743,389 | 37,743,389 | |
| 30 Professional fundraising fees | 30 | | | |
| 31 Accounting fees | 31 | 90,160 | 90,160 | |
| 32 Legal fees | 32 | 9,099,038 | 9,099,038 | |
| 33 Supplies | 33 | 1,304,329,776 | 1,304,329,776 | |
| 34 Telephone | 34 | 3,981,769 | 3,981,769 | |
| 35 Postage and shipping | 35 | 39,614,431 | 39,614,431 | |
| 36 Occupancy | 36 | 105,485,055 | 105,485,055 | |
| 37 Equipment rental and maintenance | 37 | 17,091,486 | 17,091,486 | |
| 38 Printing and publications | 38 | 11,128,715 | 11,128,715 | |
| 39 Travel | 39 | 30,153,664 | 30,153,664 | |
| 40 Conferences, conventions, and meetings | 40 | | | |
| 41 Interest | 41 | 7,233,268 | 7,233,268 | |
| 42 Depreciation, depletion, etc STMT LINE 57 | 42 | 178,500,276 | 178,500,276 | |
| 43 Other expenses (itemize) a | 43a | | | |
| b SEE STATEMENT LINE 43 | 43b | 14,269,902,105 | 13,782,440,782 | 487,461,323 |
| c | 43c | | | |
| d | 43d | | | |
| e | 43e | | | |
| f | 43f | | | |
| 44 Total functional expenses (add lines 22 through 43) Organizations completing columns (B) - (D), carry these totals to lines 13 - 15 | 44 | 17,181,769,067 | 16,694,307,744 | 487,461,323 |

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

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

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____

N/A

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

N/A

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

N/A

and (iv) the amount allocated to Fundraising \$ _____

N/A

Part III Statement of Program Service Accomplishments

(See Specific Instructions on page 24.)

What is the organization's primary exempt purpose? SEE STATEMENT PART III

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) organizations and 4947(a)(1) trusts but optional for others.)

| | | |
|---|-----------------------------|----------------|
| a SEE STATEMENT PART III | | |
| (Grants and allocations \$) | | 16,694,307,744 |
| 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) | | 16,694,307,744 |

Part IV Balance Sheets

(See Specific Instructions on page 24)

| 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 | 10,405,889 | 45 9,531,089 |
| 46 | Savings and temporary cash investments | 24,297,520 | 46 30,884,233 |
| 47a | Accounts receivable | 47a 1,197,692,986 | |
| b | Less allowance for doubtful accounts | 47b 239,470,450 | 518,462,822 47c 958,222,536 |
| 48a | Pledges receivable | 48a | 48c |
| b | Less allowance for doubtful accounts | 48b | |
| 49 | Grants receivable | | 49 |
| 50 | Receivables from officers, directors, trustees, and key employees (attach schedule) | SEE STATEMENT LINE 50 1,023,750 | 50 1,085,000 |
| 51a | Other notes and loans receivable (attach schedule) | SEE STMT LINE 51 51a 19,162,592 | |
| b | Less allowance for doubtful accounts | 51b | 19,162,592 51c 19,162,592 |
| 52 | Inventories for sale or use | 71,080,283 | 52 84,029,342 |
| 53 | Prepaid expenses and deferred charges | 126,235,423 | 53 93,137,644 |
| 54 | Investments - securities (attach schedule) SEE STATEMENT LINE 54 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV | 2,559,348,306 | 54 2,311,935,415 |
| 55a | Investments - land, buildings, and equipment basis | 55a | |
| b | Less accumulated depreciation (attach schedule) | 55b | 55c |
| 56 | Investments - other (attach schedule) | SEE STATEMENT LINE 56 40,937,264 | 56 34,743,826 |
| 57a | Land, buildings, and equipment basis | 57a 3,854,300,044 | |
| b | Less accumulated depreciation | SEE STATEMENT LINE 57 57b 2,017,103,417 | 1,931,198,184 57c 1,837,196,627 |
| 58 | Other assets (describe SEE STATEMENT LINE 58) | 42,627,086 | 58 23,186,801 |
| 59 | Total assets (add lines 45 through 58) (must equal line 74) | 5,344,779,119 | 59 5,403,115,105 |
| Liabilities | | | |
| 60 | Accounts payable and accrued expenses | 1,219,632,607 | 60 1,431,218,699 |
| 61 | Grants payable | | 61 |
| 62 | Deferred revenue | 524,436,160 | 62 605,744,384 |
| 63 | Loans from officers, directors, trustees, and key employees | | 63 |
| 64a | Tax-exempt bond liabilities (attach schedule) | | 64a |
| b | Mortgages and other notes payable (attach schedule) | | 64b |
| 65 | Other liabilities (describe SEE STATEMENT LINE 65) | 2,264,652,119 | 65 2,449,406,573 |
| 66 | Total liabilities (add lines 60 through 65) | 4,008,720,886 | 66 4,486,369,656 |
| 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 | 1,336,058,233 | 70 916,745,449 |
| 71 | Paid-in or capital surplus, or land, bldg, and equipment fund | | 71 |
| 72 | Retained earnings, endowment, accumulated income, or other funds | | 72 |
| 73 | Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72, column (A) must equal line 19 and column (B) must equal line 21) | 1,336,058,233 | 73 916,745,449 |
| 74 | Total liabilities and net assets/fund balances (add lines 66 and 73) | 5,344,779,119 | 74 5,403,115,105 |

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-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See Specific Instructions page 26)

| | | |
|---|----------|-----|
| a Total revenue, gains, and other support per audited financial statements | a | N/A |
| b Amounts included on line a but not on line 12, Form 990 | | |
| (1) Net unrealized gains on investments | | |
| (2) Donated services and use of facilities | | |
| (3) Recoveries of prior year grants | | |
| (4) Other (specify) | | |
| Add amounts on lines (1) thru (4) | b | |
| c Line a minus line b | c | |
| d Amounts included on line 12, Form 990 but not on line a | | |
| (1) Investment expenses not included on line 6b, Form 990 | | |
| (2) Other (specify) | | |
| Add amounts on lines (1) and (2) | d | |
| e Total revenue per line 12, Form 990 (line c plus line d) | e | |

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

| | | |
|--|----------|-----|
| a Total expense and losses per audited financial statements | a | N/A |
| b Amounts included on line a but not on line 17, Form 990 | | |
| (1) Donated services and use of facilities | | |
| (2) Prior year adjustments reported on line 20, Form 990 | | |
| (3) Losses reported on line 20, Form 990 | | |
| (4) Other (specify) | | |
| Add amounts on lines (1) thru (4) | b | |
| c Line a minus line b | c | |
| d Amounts included on line 17, Form 990 but not on line a | | |
| (1) Investment expenses not included on line 6b, Form 990 | | |
| (2) Other (specify) | | |
| Add amounts on lines (1) and (2) | d | |
| e Total expenses per line 17, Form 990 (line c plus line d) | e | |

Part V List of Officers, Directors, Trustees, and Key Employees

(List each one even if not compensated, see Specific Instructions on page 26)

| (A) Name and address | (B) Title and average hours per week devoted to position | (C) Compensation (if not paid enter -0-) | (D) Contributions to employee benefit plans & deferred compensation | (E) Expense account and other allowances |
|----------------------|--|--|---|--|
| SEE STATEMENT PART V | | 24,220,047 | 28,726,376 | 352,123 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations?

If "Yes," attach schedule - see Specific Instructions on page 27

☐ Yes

☒ No

Part VI Other Information

(See Specific Instructions on pages 27.)

Yes or No

| | | |
|---|---|---|
| 76 Did the organization engage in any activity not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of each activity | 76 | NO |
| 77 Were any changes made in the organizing or governing documents, but not reported to the IRS? If "Yes," attach a conformed copy of the changes | 77 | YES |
| 78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? | 78a | YES |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | 78b | YES |
| 79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement | 79 | NO |
| 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 | YES |
| b If "Yes," enter the name of the organization | SEE STATEMENT LINE 80 | |
| and check whether it is | <input checked="" type="checkbox"/> exempt OR | <input checked="" type="checkbox"/> nonexempt |
| 81a Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81 | 81a | NONE |
| b Did the organization file Form 1120-POL for this year? | 81b | NO |
| 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 | NO |
| 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 for reporting in Part III.) | 82b | N/A |
| 83a Did the organization comply with the public inspection requirements for returns and exemption applications? | 83a | YES |
| 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? If "Yes" 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 | 85b | N/A |
| 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 in 85f? | 85g | N/A |
| h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 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 | YES |
| 89a 501(c)(3) organizations - Enter Amount of tax paid during the year under section 4911 | NONE | |
| section 4912 | NONE | |
| section 4955 | NONE | |
| 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 | 89 | NO |
| c Enter Amount of tax imposed on the organization managers or disqualified persons during the year under section 4912, 4955 and 4958 | NONE | |
| d Enter Amount of tax in 89c, above, reimbursed by the organization | NONE | |
| 90a List the states with which a copy of this return is filed | CALIFORNIA, HAWAII & DISTRICT OF COLUMBIA | |
| b Number of employees employed in the pay period that includes March 12, 2002 (See instructions) | 90b | 14,250 |
| 91 The books are in care of | DONALD RUHL, NATIONAL TAX DIRECTOR | |
| Located at | ONE KAISER PLAZA, 1550L, OAKLAND, CA | |
| | Telephone no | (510) 271-6385 |
| | ZIP code | 94612 |
| 92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here enter the amount of tax-exempt interest received or accrued during the tax year | 92 | N/A |

Part VII Analysis of Income-Producing Activities

(See Specific Instructions on pages 32.)

Note Enter gross amounts unless otherwise indicated

| | Unrelated business income | | Excluded by section 512, 513 or 514 | | (E) |
|---|---------------------------|---------------|-------------------------------------|---------------|--------------------------------------|
| | (A) Business code | (B) Amount | (C) Exclusion code | (D) Amount | Related or exempt function income |
| 93 Program service revenue | | | | | |
| a MEMBERS HEALTH CARE PREMIUMS | | | | | 11,415,039,862 |
| b SUPPLEMENTAL CHARGES | 621400 | 8,794,188 | | | 864,532,366 |
| c NON PLAN AND INDUSTRIAL REVENUE | | | | | 131,461,037 |
| d INTERREGIONAL REVENUE | | | | | 17,430,021 |
| e OTHER PROGRAM SERVICE REVENUE | 621400 | 7,882,616 | 1 | 12,908,524 | |
| f Medicare/Medicaid payments | | | | | 4,719,694,980 |
| g Fees and contracts from government agencies | | | | | |
| 94 Membership dues and assessments | | | | | |
| 95 Interest on savings and temporary cash investments | | | 14 | | |
| 96 Dividends and interest from securities | | | | | |
| 97 Net rental income (loss) from real estate | | | | | |
| a debt-financed property | | | | | |
| b not debt-financed property | | | | | |
| 98 Net rental income or (loss) from personal property | | | | | |
| 99 Other investment income | | | 18 | (26,004,848) | |
| 100 Gain or (loss) from sales of assets other than inventory | | | 18 | (89,623,431) | |
| 101 Net income or (loss) from special events | | | | | |
| 102 Gross profit or (loss) from sales of inventory | | | | | |
| 103 Other revenue | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| 104 Subtotal (add cols. (B), (D), and (E)) | | 16,676,804 | | (102,719,755) | 17,148,158,266 |
| 105 Total (add line 104 columns (B), (D), and (E)) | | | | | 17,062,115,315 |

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 Specific Instructions on page 32.)

| 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) |
|---------|--|
| | SEE STATEMENT LINE VIII |
| | |
| | |

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities

(See Specific Instructions on page 33.)

| (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 |
|--|---|-----------------------------|---------------------|---------------------------|
| SEE STATEMENT PART IX | % | | 81,776,451 | 62,720,843 |
| | % | | | |
| | % | | | |
| | % | | | |

Part X Information Regarding Transfers Associated with Personal Benefit Contracts

(See Specific Instructions on page 33.)

- (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)

| | | | | |
|--------------------------|---|----------------------|--|---|
| Please Sign Here | 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. | | | |
| | Signature of officer <i>Deborah Stokes</i> | | Date <i>11-13-03</i> | Type or print name <i>DEBORAH STOKES, VP/CONTROLLER</i> |
| Paid Preparer's Use Only | Preparer's signature <i>Joseph S. DeTrane</i> | Date <i>11/13/03</i> | Check if self-employed <input checked="" type="checkbox"/> | Preparer's SSN or PTIN |
| | Firm's name (or yours if self-employed) and address, and ZIP code | EIN | | |
| | <i>DELOUITE & TOUCHE LLP 50 FREMONT STREET SAN FRANCISCO, CA 94105</i> | Phone (415) 783-4000 | | |

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

OMB No. 1545-0047

2002Department of the Treasury
Internal Revenue Service

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

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 |
|---|---|------------------|---|--|
| Marguerite M Callaway 1 Kaiser Plaza, Suite 1550L Ordway Oakland, CA 94612 | Consulting Services - Head 40 Hours | 772,713 | 154,647 | 0 |
| Richard B Froh 1 Kaiser Plaza, Suite 1550L Ordway Oakland, CA 94612 | Government Affairs - Head 40 Hours | 628,544 | 117,320 | 0 |
| Darren E Oliver 1 Kaiser Plaza, Suite 1550L Ordway Oakland, CA 94612 | Human Resources - Head 40 Hours | 431,538 | 238,617 | 1,140 |
| Robert C Foos 1 Kaiser Plaza, Suite 1550L Ordway Oakland, CA 94612 | Clinical Information Systems - Head 40 Hours | 459,188 | 218,487 | 12,229 |
| George A DiSalvo 1 Kaiser Plaza, Suite 1550L Ordway Oakland, CA 94612 | Finance Head SoCal Region 40 Hours | 451,368 | 98,807 | 950 |
| Total number of other employees paid over \$50,000 | 8,360 | | | |

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 1 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 Hospital One Kaiser Plaza Oakland, CA 94612 | Medical Services | 4,970,816,677 |
| Southern California Permanente Medical Grp 393 East Walnut Street Pasadena, Ca 91188 | Medical Services | 3,720,598,708 |
| The Permanente Medical Group 1950 Franklin Street Oakland, CA 94612 | Medical Services | 2,369,105,696 |
| Hawaii Permanente Medical Group 3288 Moanalua Road Honolulu, HI 96819 | Medical Services | 86,545,483 |
| Regents, University of California 1200 Dutton Hall Davis, CA 95616 | Medical Services | 39,697,414 |
| Total number of others receiving over \$50,000 for professional services | 2,289 | |

For Paperwork Reduction Act Notice, see page 1 of the instructions to Form 990 and Form 990-EZ

Schedule A (Form 990 or 990-EZ) 2002

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 (Must equal amounts on line 38, Part VI-A, or line I of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities | SEE STMT SCH A PART III, LINE 1 2,589,284 | 1 X |
| 2 | During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its 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 | | |
| a | Sale, exchange, or leasing of property? | SEE STMT SCH A PART III, LINE 2 | 2a X |
| b | Lending of money or other extension of credit? | SEE STMT SCH A PART III, LINE 2 | 2b X |
| c | Furnishing of goods, services, or facilities? | SEE STMT SCH A PART III, LINE 2 | 2c X |
| d | Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? | SEE STMT PART V | 2d X |
| e | Transfer of any part of its income or assets? | | 2e X |
| If the answer to any question is "Yes," attach a detailed statement explaining the transactions | | | |
| 3 | Does the organization make grants for scholarships, fellowships, student loans, etc.? | SEE STMT SCH A PART III, LINE 3 | 3 X |
| 4a | Do you have a section 403(b) annuity plan for your employees? | | 4a X |
| Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments | | | |

Part IV Reason for Non-Private Foundation Status

(See pages 3 through 6 of the instructions)

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

- 5 ☐ A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 ☐ A school Section 170(b)(1)(A)(ii) (Also complete Part V, page 5)
- 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 below)
- 12 ☒ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the Support Schedule in Part IV-A)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

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

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

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

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

| Calendar year (or fiscal year beginning in) | (a) 2001 | (b) 2000 | (c) 1999 | (d) 1998 | (e) Total | N/A |
|--|--|----------------|----------------|----------------|----------------|----------------|
| 15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.) | 1,689,081 | | | | 1,689,081 | |
| 16 Membership fees received | | | | | | |
| 17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable etc. purpose | 15,521,745,505 | 15,042,154,629 | 14,221,874,681 | 12,324,792,797 | 57,110,567,612 | |
| 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 | 32,678,098 | 106,527,401 | 181,059,857 | 96,467,880 | 416,733,236 | |
| 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 | 15,556,112,684 | 15,148,682,030 | 14,402,934,538 | 12,421,260,677 | 57,528,989,929 | |
| 24 Line 23 minus line 17 | 34,367,179 | 106,527,401 | 181,059,857 | 96,467,880 | 418,422,317 | |
| 25 Enter 1% of line 23 | 155,561,127 | 151,486,820 | 144,029,345 | 124,212,607 | | |
| 26 Organizations described in lines 10 or 11 | a Enter 2% of amount in column (e), line 24 | | | | 26a | |
| 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 1998 through 2001 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts. | | | | | 26b | |
| c Total support for section 509(a)(1) test. Enter line 24, column (e). | | | | | 26c | |
| d Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____ | | | | | 26d | |
| e Public support (line 26c minus line 26d total) | | | | | 26e | |
| f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) | | | | | 26f | |
| 27 Organizations described on line 12 | a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," attach a list (which is not open to public inspection) 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: | | | | | |
| (2001) | (2000) | (1999) | (1998) | | | |
| b For any amount included in line 17 that was received from each person (other than "disqualified person"), 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: | (2001) | (2000) | (1999) | (1998) | | |
| c Add: Amounts from column (e) for lines 15 _____ 1,689,081 16 _____ 17 57,110,567,612 20 _____ 21 _____ | | | | | 27c | 57,112,256,693 |
| d Add: Line 27a total _____ and line 27b total _____ | | | | | 27d | |
| e Public support (line 27c minus line 27d total) | | | | | 27e | 57,112,256,693 |
| f Total support for section 509(a)(2) test. Enter amount on line 23, column (e) | | | | | 27f | 57,528,989,929 |
| g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) | | | | | 27g | 99.28% |
| h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) | | | | | 27h | 0.72% |
| 28 Unusual Grants. For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, 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)

| | | N/A | |
|------------|--|-----|----|
| | | 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? | | |
| 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? | | |
| 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) | | |
| 32 | Does the organization maintain the following | | |
| a | Records indicating the racial composition of the student body, faculty, and administrative staff? | | |
| b | Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? | | |
| c | Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? | | |
| d | Copies of all material used by the organization or on its behalf to solicit contributions? 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? | | |
| b | Admissions policies? | | |
| c | Employment of faculty or administrative staff? | | |
| d | Scholarships or other financial assistance? | | |
| e | Educational policies? | | |
| f | Use of facilities? | | |
| g | Athletic programs? | | |
| h | Other extracurricular activities? | | |
| | If you answered "Yes" to any of the above, please explain (If you need more space, attach a statement) | | |
| 34a | Does the organization receive any financial aid or assistance from a governmental agency? | | |
| 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 | | |
| 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 | | |

Part VI-A Lobbying Expenditures by Electing Public Charities

(See page 9 of the instructions)

(To be completed ONLY by an eligible organization that filed Form 5768)

N/A

Check here **a** ☐ If the organization belongs to an affiliated groupCheck here **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 | | |
| 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, 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)

| Calendar year (or fiscal year beginning in) | Lobbying Expenditures During 4-Year Averaging Period | | | | |
|--|--|-------------|-------------|-------------|--------------|
| | (a) 2002 | (b) 2001 | (c) 2000 | (d) 1999 | (e) Total |
| 45 Lobbying nontaxable amount | | | | | |
| 46 Lobbying ceiling amount (150% of line 45(e)) | | | | | |
| 47 Total lobbying expenditures | | | | | |
| 48 Grassroots nontaxable amount | | | | | |
| 49 Grassroots ceiling amount (150% of line 48(e)) | | | | | |
| 50 Grassroots lobbying expenditures | | | | | |

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting 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

- a** Volunteers
- b** Paid staff or management (include compensation in expenses reported on lines c through h)
- c** Media advertisements
- d** Mailings to members, legislators, or the public
- e** Publications, or published or broadcast statements
- f** Grants to other organizations for lobbying purposes
- g** Direct contact with legislators, their staffs, government officials, or a legislative body
- h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i** Total lobbying expenditures (add lines c through h)

| Yes | No | Amount |
|-----|----|-----------|
| | X | |
| X | | |
| | X | |
| X | | 206,405 |
| | X | |
| X | | 129,414 |
| X | | 2,205,028 |
| X | | 48,437 |
| | | 2,589,284 |

SEE STMT SCH A PART III LINE 1

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

(See page 12 of the instructions)

| | Yes | No |
|--------|-----|----|
| 51a(i) | | X |
| a(ii) | | X |
| b(i) | | X |
| b(ii) | | X |
| b(iii) | | X |
| b(iv) | | X |
| b(v) | | X |
| b(vi) | | X |
| c | | X |

[illegible]

KAISER FOUNDATION HEALTH PLAN, INC

94-1340523

12/31/2002

STATEMENT LINE 7

FORM 990 PART I, LINE 7 - OTHER INVESTMENT INCOME

| <u>DESCRIPTION</u> | |
|---|--------------------------------|
| INVESTMENT INTEREST INCOME | 16,388,478 |
| BOND and OTHER INVESTMENT IMPAIRMENT WRITE DOWN | (42,000,000) |
| NET RETURN ON LIMITED LIABILITY COMPANY INVESTMENTS | <u>(393,326)</u> |
| TOTAL LINE 7 -NET RETURN ON INVESTMENTS | <u><u>(26,004,848)</u></u> |

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

**STATEMENT LINE 8
FORM 990 PART I, LINE 8 - SALE OF ASSETS OTHER THAN INVENTORY**

| | <u>DESCRIPTION</u> | <u>GROSS PROCEEDS</u> | <u>COST & EXPENSES</u> | <u>ACCUM DEPREC</u> | <u>GAIN/(LOSS)</u> |
|-----------|--|-----------------------------|--------------------------------|--------------------------|----------------------------|
| 8A | <u>SALE OF INVESTMENTS</u> | | | | |
| | Fixed Income and Equity Sales | 6,665,752,034 | 6,752,590,131 | 0 | (86,838,097) |
| | Principal Repayments and Maturates | 1,921,712,650 | 1,924,591,083 | 0 | (2,878,433) |
| | Total column 8A | <u>8,587,464,684</u> | <u>8,677,181,214</u> | <u>0</u> | <u>(89,716,530)</u> |
| 8B | <u>SALE OF OTHER - FIXED ASSETS</u> | | | | |
| | <u>Sales by Northern California Region</u> | | | | |
| | Controllable Equipment | 101,254 | 1,765,363 | 1,630,108 | (34,001) |
| | Non-Controllable Equipment | 8,979 | 3,986,223 | 3,982,370 | 5,126 |
| | Non-Capital Equipment | 34 | 778,754 | 774,824 | (3,896) |
| | Vehicles | 16,754 | 124,627 | 122,943 | 15,070 |
| | <u>Sales by Southern California Regions</u> | | | | |
| | Land and Buildings - Magnolia Blvd | 1,747,802 | 10,241,666 | 8,723,249 | 229,385 |
| | Medical Equipment | 10,237 | 7,886,924 | 7,789,413 | (87,274) |
| | Vehicles | 45,950 | 990,568 | 908,608 | (36,010) |
| | <u>Sales by Hawaii Region</u> | | | | |
| | Medical Equipment | 4,700 | 62,478 | 62,477 | 4,699 |
| | TOTAL Line 8b | <u>1,935,710</u> | <u>25,836,603</u> | <u>23,993,992</u> | <u>93,099</u> |
| 8d | Net Gain or Loss on Sale of Assets Other Than Inventory | | | | <u>(89,623,431)</u> |
| | <u>Recap of Net Gain/Loss</u> | <u>Investments</u> | <u>Fixed Assets</u> | <u>Combined</u> | |
| | Original Cost Basis and Cost of Sale | 8,677,181,214 | 25,836,603 | 8,703,017,817 | |
| | Less Accumulated Depreciation | 0 | 23,993,992 | 23,993,992 | |
| | Net Cost or Adjusted Basis | 8,677,181,214 | 1,842,611 | 8,679,023,825 | |
| | Less Gross Sales Proceeds | 8,587,464,684 | 1,935,710 | 8,589,400,394 | |
| | Net Gain/(Loss) for Reporting Purposes | <u>(89,716,530)</u> | <u>93,099</u> | <u>(89,623,431)</u> | <u>(89,623,431)</u> |

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

STATEMENT LINE 20

FORM 990 PART I, LINE 20—OTHER CHANGES IN FUND BALANCE

| <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---|---------------------------------|
| OTHER | 1,999,522 |
| UNREALIZED LOSS ON INVESTMENTS | (151,757,181) |
| INTERREGIONAL TRANSFERS | (43,000,000) |
| RESERVE FOR MINIMUM PENSION LIABILITIES | <u>(108,981,401)</u> |
| TOTAL - OTHER CHANGES IN FUND BALANCE | <u><u>(301,739,060)</u></u> |

KAISER FOUNDATION HEALTH PLAN, INC
94-1340523
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OTHER EXPENSES
STATEMENT LINE 43
FORM 990, PART II, LINE 43

| DESCRIPTION | TOTAL | PROGRAM SERVICE | MANAGEMENT & GENERAL | FUNDRAISING |
|---|----------------|--------------------|-------------------------|-------------|
| PURCHASED MEDICAL SERVICES - BCP | 12,733,871,432 | 12,733,871,432 | 0 | 0 |
| PURCHASED MEDICAL SERVICES - OUTSIDE SVCS | 1,260,740 | 1,260,740 | 0 | 0 |
| PURCHASED SERVICES - OTHER PROFESSIONAL | 92,196,922 | 92,196,922 | 0 | 0 |
| PURCHASED SERVICES - OTHER NON-PROFESSIONAL | 1,000,875,137 | 1,000,875,137 | 0 | 0 |
| PROFESSIONAL & PUBLIC LIAB INSURANCE | 200,973,529 | 200,973,529 | 0 | 0 |
| OTHER INSURANCE | 357,596,876 | 357,596,876 | 0 | 0 |
| INFORMATION TECHNOLOGY SERVICES | 28,350,115 | 28,350,115 | 0 | 0 |
| PROVISION FOR DOUBTFUL ACCOUNTS | 24,290,985 | 24,290,985 | 0 | 0 |
| BUSINESS LICENSES & TAXES | 7,106,242 | 7,106,242 | 0 | 0 |
| PROPERTY TAXES | 14,757,603 | 14,757,603 | 0 | 0 |
| DUES & SUBSCRIPTIONS - PROFESSIONAL | 2,899,079 | 2,899,079 | 0 | 0 |
| DUES & SUBSCRIPTIONS - OTHER | 1,324,428 | 1,324,428 | 0 | 0 |
| AMORTIZATION OF DEFERRED EXP | 30,724,601 | 30,724,601 | 0 | 0 |
| EMPLOYEE DEVELOPMENT EXPENSES | 13,019,244 | 13,019,244 | 0 | 0 |
| EMPLOYEE RELATED EXPENSES | 14,786,979 | 14,786,979 | 0 | 0 |
| ADVERTISING AND MARKETING EXPENSES | 26,019,166 | 26,019,166 | 0 | 0 |
| BROKER COMMISSIONS | 37,904,449 | 37,904,449 | 0 | 0 |
| PUBLIC AND COMMUNITY RELATIONS | 1,052,317 | 1,052,317 | 0 | 0 |
| COMMUNITY BENEFIT PROGRAMS | 750 | 750 | 0 | 0 |
| LOSS ON RETIREMENT OF FIXED ASSETS | 4,319,263 | 4,319,263 | 0 | 0 |
| MISCELLANEOUS AND OTHER EXPENSES | 334,790,272 | 334,790,272 | 0 | 0 |
| OTHER COST RECOVERIES FROM AFFILIATES | (658,218,024) | (658,218,024) | 0 | 0 |
| ALLOCATED ADMINISTRATIVE EXPENSES | 0 | (487,461,323) | 487,461,323 | 0 |
| TOTAL LINE 43 | 14,269,902,105 | 13,782,440,782 | 487,461,323 | 0 |

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

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 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 make 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 2002." 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 FOUNDATION HEALTH PLAN, INC
94-1340523
12/31/2002

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 |
|--|-----------------|-----------------|----------|--------------|---------------|---------------------------------------|---------------|--------------|---------------------|
| | | 12/31/01 | 12/31/02 | | | | | | |
| Mary Durham Director Health Center | 50,000 | 10,000 | 0 | 06/15/97 | 06/15/02 | Principal & Interest payable annually | 6.60% | Recorded DoT | Employee Relocation |
| Gary Hurlbut Vice President | 85,000 | 21,250 | 0 | 05/15/98 | 05/15/02 | Principal & Interest payable annually | 5.69% | Recorded DoT | Employee Relocation |
| Bernard J Tyson Senior Vice President | 80,000 | 20,000 | 0 | 05/29/98 | 05/29/02 | Principal & Interest payable annually | 5.69% | Recorded DoT | Employee Relocation |
| Thomas Williamson Vice President | 80,000 | 20,000 | 0 | 06/30/98 | 06/30/02 | Principal & Interest payable annually | 5.77% | Recorded DoT | Employee Relocation |
| Richard Cordova Regional President | 80,000 | 40,000 | 20,000 | 06/15/99 | 06/15/03 | Principal & Interest payable annually | 5.22% | Recorded DoT | Employee Relocation |
| Edward Glavis Reg Sr Vice President | 80,000 | 40,000 | 20,000 | 10/27/99 | 10/27/03 | Principal & Interest payable annually | 6.02% | Recorded DoT | Employee Relocation |
| Joseph Hummel Senior Vice President | 100,000 | 60,000 | 40,000 | 10/25/99 | 10/25/04 | Principal & Interest payable annually | 5.96% | Recorded DoT | Employee Relocation |
| Deborah Stokes Vice President | 40,000 | 10,000 | 0 | 12/31/98 | 12/31/02 | Principal & Interest payable annually | 4.52% | Recorded DoT | Employee Relocation |
| Terry Belmont Vice President | 100,000 | 80,000 | 60,000 | 05/31/00 | 05/31/05 | Principal & Interest payable annually | 6.40% | Note | Employee Relocation |
| John Doidge | 40,000 | 30,000 | 20,000 | 08/31/00 | 08/31/04 | Principal & Interest payable annually | 6.33% | Recorded DoT | Employee Relocation |
| Adrienne Edens | 50,000 | 37,500 | 25,000 | 11/17/00 | 11/17/04 | Principal & Interest payable annually | 6.01% | Recorded DoT | Employee Relocation |
| William Little | 40,000 | 40,000 | 30,000 | 12/15/00 | 12/15/05 | Principal & Interest payable annually | 6.01% | Recorded DoT | Employee Relocation |
| Darren Oliver | 100,000 | 80,000 | 60,000 | 10/04/00 | 10/04/05 | Principal & Interest payable annually | 6.22% | Recorded DoT | Employee Relocation |
| James Waller #1 | 50,000 | 37,500 | 25,000 | 06/23/00 | 06/23/04 | Principal & Interest payable annually | 6.40% | Recorded DoT | Employee Relocation |
| Donna Deckard | 100,000 | 100,000 | 75,000 | 10/04/01 | 10/04/05 | Principal & Interest payable annually | 4.59% | Recorded DoT | Employee Relocation |
| Robert Foos | 100,000 | 80,000 | 0 | 01/29/01 | 01/29/05 | Principal & Interest payable annually | 5.61% | Recorded DoT | Employee Relocation |

KAISER FOUNDATION HEALTH PLAN, INC
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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 |
|---|--------------------|-------------------------|-------------------------|-----------------|------------------|--|------------------|-----------------|------------------------|
| | | 12/31/01 | 12/31/02 | | | | | | |
| Mitchell Goodstein Senior Vice President | 80,000 | 80,000 | 60,000 | 06/15/01 | 06/15/05 | Principal & Interest payable annually | 5 02% | Recorded DoT | Employee Relocation |
| Wade Overgaard | 50,000 | 50,000 | 37,500 | 07/30/01 | 07/30/05 | Principal & Interest payable annually | 5 12% | Recorded DoT | Employee Relocation |
| Gemma Tayao | 20,000 | 20,000 | 15,000 | 06/01/01 | 06/01/05 | Principal & Interest payable annually | 5 02% | Recorded DoT | Employee Relocation |
| Leonid Toker | 37,500 | 37,500 | 30,000 | 08/01/01 | 08/01/06 | Principal & Interest payable annually | 5 12% | Recorded DoT | Employee Relocation |
| James Waller #2 | 30,000 | 30,000 | 22,500 | 05/29/01 | 05/29/05 | Principal & Interest payable annually | 4 77% | Recorded DoT | Employee Relocation |
| Gregory Adams | 100,000 | 100,000 | 0 | 07/24/01 | 02/28/02 | Principal & Interest payable annually | 4 68% | Recorded DoT | Employee Relocation |
| Robert Briggs | 150,000 | 0 | 100,000 | 05/15/02 | 05/15/07 | Principal & Interest payable annually | 4 99% | Recorded DoT | Employee Relocation |
| Carme Harris-Muller | 60,000 | 0 | 45,000 | 05/21/01 | 02/28/02 | Principal & Interest payable annually | 4 75% | Recorded DoT | Employee Relocation |
| Theodore Wise | 100,000 | 0 | 100,000 | 06/01/02 | 06/01/07 | Principal & Interest payable annually | 4 99% | Recorded DoT | Employee Relocation |
| Raymond Baxter | 300,000 | 0 | 300,000 | 05/03/02 | 05/03/03 | Principal & Interest payable annually | 3 21% | Recorded DoT | Employee Relocation |
| TOTAL | | <u><u>1,023,750</u></u> | <u><u>1,085,000</u></u> | | | | | | |

KAISER FOUNDATION HEALTH PLAN, INC

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**STATEMENT LINE 51 - OTHER NOTES AND LOANS RECEIVABLE
FORM 990 PART IV**

| <u>Name</u> | <u>Borrower's Relationship</u> | <u>Original Amount</u> | <u>Balance Due</u> | |
|-------------------------|------------------------------------|----------------------------|--------------------------|--------------------------|
| | | | <u>12/31/01</u> | <u>12/31/02</u> |
| 1 Community Health Plan | Affiliated Entity | 30,000,000 | 19,162,592 | 19,162,592 |
| TOTAL | | | <u><u>19,162,592</u></u> | <u><u>19,162,592</u></u> |

| <u>Date of Note</u> | <u>aturity ate</u> | <u>Terms</u> | <u>Interest Rate</u> | <u>Security</u> | <u>Purpose</u> |
|-------------------------|------------------------|-------------------|--------------------------|-----------------|------------------------------------|
| 1 | 04/01/96 | Payable on Demand | Variable | Unsecured | Working Capital & Capital Pjcts |

KAISER FOUNDATION HEALTH PLAN, INC.
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STATEMENT LINE 54 - SECURITY INVESTMENTS
FORM 990 PART IV

| DESCRIPTION | BEGINNING OF YEAR AMOUNT | END OF YEAR AMOUNT |
|--|-------------------------------------|-------------------------------|
| Publicly Traded Securities and Other Investments | 2,559,348,306 | 2,311,935,415 |
| TOTAL LINE 54 - SECURITY INVESTMENTS | 2,559,348,306 | 2,311,935,415 |

KAISER FOUNDATION HEALTH PLAN, INC.

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**INVESTMENTS - OTHER
STATEMENT LINE 56
FORM 990, PART IV, LINE 56**

| <u>DESCRIPTION</u> | <u>PRIOR YEAR AMOUNT</u> | <u>END OF YEAR AMOUNT</u> |
|--|------------------------------|-------------------------------|
| Equity - OakTree Assurance, Ltd | 282,437 | 282,437 |
| CA Economic Development Lending Initiative | 250,000 | 250,000 |
| Community Bank of the Bay | 50,000 | 50,000 |
| HEARx West, LLC | 52,232 | 57,127 |
| TLC - USA, LLC | 14,428 | 0 |
| Broadlane | 17,130,000 | 8,250,000 |
| Ordway International | 120,000 | 120,000 |
| Lokahi Assurance, Ltd | 0 | 1,241,610 |
| Zonare | 0 | 850 |
| Kaiser Permanente Insurance Company | 23,038,167 | 24,491,802 |
| TOTAL LINE 56 - OTHER INVESTMENTS | <u>40,937,264</u> | <u>34,743,826</u> |

KAISER FOUNDATION HEALTH PLAN, INC
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STATEMENT LINE 67

| FIXED ASSETS DESCRIPTION | COST BASIS | | ACCUMULATED DEPRECIATION | | 2002 DEP/AMORT EXPENSE |
|---|----------------------|----------------------|--------------------------|----------------------|------------------------------|
| | BEGINNING OF YEAR | END OF YEAR | BEGINNING OF YEAR | END OF YEAR | |
| LAND | 269 593 873 | 289 858 278 | 0 | 0 | 0 |
| LAND IMPROVEMENTS | 38 137 031 | 36 641 291 | 24 919 878 | 26 681 378 | 1 893,420 |
| BUILDINGS | 1 694 585 763 | 1 766 939 768 | 724 921 692 | 788 544 832 | 55 563 341 |
| LEASEHOLD IMPROVEMENTS | 277 595 211 | 309 496 202 | 171 219 817 | 188,973,052 | 20 974 368 |
| EQUIPMENT | 981 614 215 | 856 603 864 | 844 140 658 | 736 331 454 | 43 939 095 |
| CAPITALIZED SOFTWARE | 568 679 822 | 467 320 299 | 221 396 594 | 276 592 701 | 56 130 052 |
| CONSTRUCTION IN PROGRESS | 87 590 908 | 127 440 342 | 0 | 0 | 0 |
| TOTALS | <u>3 917,798,823</u> | <u>3,854,300,044</u> | <u>1 986 598 639</u> | <u>2 017,103,417</u> | <u>178,500 276</u> |
| TOTALS TO PART IV LINE 57(A) | <u>3 917 796 823</u> | <u>3 854,300,044</u> | | | |
| PART IV LINE 57(B) | | | <u>1 986,598 639</u> | <u>2 017,103,417</u> | |
| PART IV, LINE 57(C) | <u>1 931 198,184</u> | <u>1,837,196,627</u> | | | |
| PART II LINE 42(A) - DEPRECIATION AMORTIZATION, DEPLETION ETC | | | | | <u>178 500 276</u> |

KAISER FOUNDATION HEALTH PLAN, INC.

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**OTHER ASSETS
STATEMENT LINE 58
FORM 990, PART IV, LINE 58**

| <u>DESCRIPTION</u> | <u>PRIOR YEAR AMOUNT</u> | <u>END OF YEAR AMOUNT</u> |
|------------------------------|------------------------------|-------------------------------|
| PENSION FUNDING - LONG TERM | 42,492,344 | 0 |
| INTANGIBLE PENSION ASSETS | 0 | 12,047,722 |
| OTHER LONG TERM ASSETS | 134,742 | 11,139,079 |
| | <hr/> | <hr/> |
| TOTAL LINE 58 - OTHER ASSETS | <u>42,627,086</u> | <u>23,186,801</u> |

KAISER FOUNDATION HEALTH PLAN, INC.
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OTHER LIABILITIES
STATEMENT LINE 65
FORM 990, PART IV, LINE 65

| <u>DESCRIPTION</u> | <u>BEGINNING OF YEAR AMOUNT</u> | <u>END OF YEAR AMOUNT</u> |
|---|--|--------------------------------------|
| RESERVE FOR PHYSICIANS RETIREMENT PLANS | 1,342,231,093 | 1,417,880,304 |
| RESERVE FOR SELF-INSURED RISKS | 162,460,128 | 101,076,090 |
| RESERVE FOR PROFESSIONAL & PUBLIC LIAB | 198,817,827 | 212,638,135 |
| RESERVE FOR WORKERS COMP RISKS | 113,624,442 | 148,754,354 |
| LONG-TERM EXTERNAL LIABILITIES | 11,264,402 | 11,035,291 |
| POST RETIREMENT BENEFIT LIABILITES | 281,233,826 | 309,583,607 |
| OTHER CURRENT LIABILITIES | 96,666,034 | 115,116,136 |
| CURRENT INSTALLMENTS LT DEBT | 65,242 | 70,526 |
| OTHER LONG-TERM LIABILITIES | 58,289,125 | 133,252,130 |
| TOTAL LINE 65 | <u>2,264,652,119</u> | <u>2,449,406,573</u> |

KAISER FOUNDATION HEALTH PLAN, INC

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SCHEDULE FORM 990, PART V
STATEMENT OF DIRECTORS, OFFICERS AND KEY EMPLOYEES
COMPENSATION, BENEFITS AND REIMBURSEMENTS

| NAME and ADDRESS See Note 2 | TITLE | SCHEDULED HOURS See Note 7 | COMPENSATION See Notes 3 & 4 | BENEFIT PLANS See Notes 4 & 5 | OTHER PAYMENTS See Notes 4 & 6 |
|--|--|----------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| DIRECTORS | | | | | |
| James A Vohs | Chairman Emeritus - to 4/30 | As Needed | 0 | 0 | 0 |
| David M Lawrence MD | Chairman Emeritus fm 5/1 and Director & Chair - to 4/30 | As Needed | | | |
| | | As Needed | 926 924 | 4 559 427 | 0 |
| George C Halvorson | Director & Chair - fm 5/1 | As Needed | See Below | See Below | See Below |
| L Dale Crandall | Director | As Needed | See Below | See Below | See Below |
| David R Andrews | Director | As Needed | 49 418 | 5 812 | 0 |
| Barbara B Blum | Director | As Needed | 62 375 | 90 | 0 |
| Thomas W Chapman | Director | As Needed | 64 730 | 18 756 | 0 |
| Daniel P Garcia | Director | As Needed | See Below | See Below | See Below |
| Henry M Kaiser | Director | As Needed | 60 018 | 5 817 | 0 |
| Dorothy H Mann PhD MPH | Director | As Needed | 53 575 | 90 | 0 |
| Dean O Morton | Director | As Needed | 60 918 | 5 817 | 0 |
| Edward E Penhoet | Director | As Needed | 4 185 | 90 | 0 |
| Mary E Renes EdD | Director | As Needed | 64 356 | 5 806 | 23 392 |
| Robert L Ridgley | Director | As Needed | 65 808 | 11 377 | 0 |
| Chang-Lun Tien | Director | As Needed | 5 268 | 5 727 | 0 |
| Barry L Williams | Director | As Needed | 55 718 | 17 817 | 0 |
| OFFICERS AND KEY EMPLOYEES | | | | | |
| President and Regional Presidents | | | | | |
| George C Halvorson | President - fm 7/01 | As Needed | 1 264 651 | 913 821 | 15 663 |
| L Dale Crandall | President - to 06/30 | As Needed | 4 723 765 | 2 723 388 | 1 080 |
| Mary Ann Thode | Regional President-NorCal | As Needed | 389 023 | 938 357 | 998 |
| Richard D Cordova | Regional President-Socal | As Needed | 563 428 | 729 361 | 0 |
| Bruce Behnke | Regional President-Hawaii | As Needed | 311 333 | 681 560 | 0 |
| Janice L Head | Regional President Hawaii | As Needed | 242 495 | 347 388 | 0 |
| National Officers and Key Employees | | | | | |
| William A Gillespie MD | Executive Vice President | As Needed | 1 267 294 | 2 466 903 | 960 |
| Richard R Pettingill | Executive Vice President | As Needed | 813 804 | 3 884 924 | 855 |
| Lynn E Abraham | Senior Vice President | As Needed | 560 283 | 969 579 | 0 |
| Raymond J Baxter | Senior Vice President | As Needed | 352 965 | 138 032 | 66 412 |
| Robert E Briggs | Senior Vice President | As Needed | 928 363 | 429 518 | 70 824 |
| Robert M Crane | Senior Vice President | As Needed | 730 392 | 333 148 | 2 160 |
| J Clifford Dodd | Senior Vice President | As Needed | 808 377 | 270 534 | 89 550 |
| Jerry C Fleming | Senior Vice President | As Needed | 358 360 | 629 655 | 1 140 |
| Daniel P Garcia | Senior Vice President | As Needed | 138 700 | 51 569 | 891 |
| Mitchell J Goodstein | Senior Vice President | As Needed | 375 456 | 298 178 | 1 800 |
| Joseph W Hummel | Senior Vice President | As Needed | 285 373 | 404 619 | 1 920 |
| Kendall D Hunter | Senior Vice President | As Needed | 254 426 | 281 025 | 0 |
| Louise Liang MD | Senior Vice President | As Needed | 270 851 | 79 743 | 19 488 |
| Leslie A Margolin | Senior Vice President | As Needed | 1 551 680 | 345 278 | 0 |
| Kirk E Miller | Senior Vice President | As Needed | 483 216 | 1 047 175 | 2 158 |
| Laurence G O Neil | Senior Vice President | As Needed | 182 762 | 172 536 | 680 |
| Patricia B Siegel RN | Senior Vice President | As Needed | 308 955 | 1 012 833 | 0 |
| Arthur M Southam MD | Senior Vice President | As Needed | 825 077 | 937 710 | 1 920 |
| Timothy E Sullivan | Senior Vice President | As Needed | 1 164 122 | 915 878 | 180 |
| Bernard J Tyson | Senior Vice President | As Needed | 794 823 | 997 938 | 0 |
| Herman M Weil | Senior Vice President | As Needed | 289 253 | 299 180 | 0 |
| Theodore E Wise | Senior Vice President | As Needed | 216 648 | 58 275 | 38 457 |
| Steven R Zatkun | Senior Vice President | As Needed | 388 022 | 576 530 | 1 920 |
| Thomas R Meier | Vice President - Treasurer | As Needed | 253 096 | 201 527 | 2 160 |
| Deborah Stokes | Vice President - Controller | As Needed | 334 087 | 201 181 | 2 055 |
| Carol H Cox | Assistant Secretary | As Needed | 65 552 | 20 598 | 0 |
| Steven Dohay | Assistant Secretary | As Needed | 204 077 | 49 064 | 0 |
| Judith M Mears | Assistant Secretary | As Needed | 276 858 | 181 950 | 2 100 |
| Wayne Morns | Assistant Secretary | As Needed | 198 000 | 284 291 | 0 |
| Indrajit Obeyesekere | Assistant Secretary | As Needed | 188 562 | 60 951 | 1 440 |
| Carlos Zaragoza | Assistant Secretary | As Needed | 236 672 | 70 652 | 0 |
| Victoria B Zatkun | Assistant Secretary | As Needed | 145 955 | 144 923 | 1 920 |
| Total Compensation Directors Officers and Key Employees for Part V | | | 24 220 047 | 28 726 376 | 352 123 |

NOTES See following page for notes applicable to the above reporting

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

SCHEDULE FORM 990, PART V
STATEMENT OF DIRECTORS, OFFICERS AND KEY EMPLOYEES
COMPENSATION, BENEFITS AND REIMBURSEMENTS

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 the integrated direct service prepaid health care program commonly referred to as "The Kaiser Permanente Medical Care Program" (Kaiser Permanente).

Note #2 - The above individuals can be contacted care/of
Kaiser Foundation Health Plan, Inc.
Program Office Controller's Department
One Kaiser Plaza Suite 15L Orway
Oakland, CA 94612

Note #3 - The executive compensation plan for Kaiser Permanente is designed to recruit, retain and motivate qualified senior management personnel. The comprehensive compensation plan is designed for positions that have a significant impact on the high-level strategic and policy direction of the organization.

Base pay for executive positions is established at a level comparable to market compensation. Market data analyses are made of comparable organizations and comparable benchmark positions in the market. In addition, certain components of the total compensation plan bear an 'at-risk' feature designed to establish a total executive compensation which is equivalent to the general comparable outside market in which the organization must compete for executive leadership candidates. These plans create an environment that allows the executive to focus on individual and team performance objectives as identified by the organization over time.

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 Kaiser Permanente. Certain Directors, Officers and/or Key Employees perform services for several of the Kaiser Permanente member organizations. Compensation for these individuals is included in a mix of other administrative costs and expenses allocated to the member entities based on membership and other factors. Specific allocation of these compensation elements are not shown by entity as they are not computed separately by management.

Note #5 - Some of the amounts shown as Benefits were earned in prior years and deferred. Other amounts were earned in 2002 and not paid until 2003. These amounts are shown on this 2002 report and will be shown again in 2003 when actually paid. These dollars are reported twice but paid only once.

Among the benefits offered all employees are a Defined Benefit Plan (Plan A), a Qualified Contribution Plan (Plan B), a Section 403(b) Tax Sheltered Annuity Plan (TSA), and health and welfare benefit plans. Included in Benefits reported for this purpose are the value of the annual contributions to Plan B, TSA and general health and welfare benefit plans for future payment. These amounts were not actually paid in 2002. Future benefits under Plan A are excluded from this reporting as they are not readily determinable on an annual basis but are actuarially determined at the time the individual qualifies for retirement benefits.

For other benefit plans available to executives which provide future benefits where the specific amounts are available and determinable by the time this tax report is filed, the amount is included in the Benefits reported in this return. This would include the amounts of compensation exchanged or converted under the Key Employee Savings Option Plan (KESOP) in the year. Amounts that are paid under the Annual Incentive Plan (AIP) and the Long Term Incentive Plan (LTIP) that are paid out to the individual participants in the following year but prior to filing the return are determined to be fixed or determinable as of year-end and are included. Amounts known at year-end under termination of employment arrangements calling for a stream-of-payments in a subsequent year are included in the Benefit Plans column for this purpose. Individuals noted with (*) have amounts included by reason of termination of employment and/or have received payouts from benefit plan accounts that consist of amounts previously earned.

Where benefit plans provide for a future benefit that contains elements of a substantial risk-of-forfeiture conditioned on continued employment and on achieving individual and Program-wide performance targets, these amounts are excluded from the reporting.

Note #6 - The amounts reported as Other Payments include amounts for reimbursement of expenses. The included amounts do not include such ordinary and necessary expenses as travel, transportation, lodging, meals, business meetings, conferences and other routine expenditures for which the individual accounts to the employer organization. These items are reimbursed on a specific expenditure 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 above listed Officers and Key Employees are scheduled to work a minimum of 40 hours per week in their respective positions for the Kaiser Permanente Medical Care Program. The amount of time the individuals spend on management issues germane to a specific entity is appropriate to the needs of the entity.

KAISER FOUNDATION HEALTH PLAN, INC.

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FORM 990

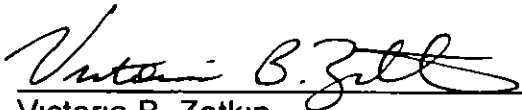
THE REVISED BYLAWS WERE APPROVED AT A MEETING OF THE BOARD OF DIRECTORS
ON SEPTEMBER 11, 2002 AND ARE ATTACHED

KAISER FOUNDATION HEALTH PLAN, INC.

BYLAWS CERTIFICATE

I, the undersigned, Victoria B Zatkan, hereby certify that I am the duly elected Assistant Secretary of Kaiser Foundation Health Plan, Inc , a California nonprofit public benefit corporation I further certify that the Bylaws of Kaiser Foundation Health Plan, Inc were last amended by the Board of Directors on September 11, 2002, and that the Bylaws have not been altered, amended or revoked since that date, and are, at the date of this certificate, in full force and effect

IN WITNESS WHEREOF, the undersigned has hereunto signed her name this 5th day of February, 2003


Victoria B Zatkan
Assistant Secretary

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, 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, 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. 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.

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, 2002

| 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 SECTION 501(C)(3) | | |
| 93-0798039 | KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST | 100% |
| 84-0591617 | KAISER FOUNDATION HEALTH PLAN OF COLORADO | 100% |
| 48-0924402 | KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC | 100% |
| 58-1592076 | KAISER FOUNDATION HEALTH PLAN OF GEORGIA INC | 100% |
| 56-1421313 | KAISER FOUNDATION HEALTH PLAN OF NORTH CAROLINA | 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 |

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, 2002:

| EMPLOYER ID # | ENTITY NAME | DIRECT & INDIRECT % CONTROLLED BY KFHP, INC. |
|---|-------------------------------------|---|
| 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 | *(2) N/A |
| 94-3203402 | KAISER PERMANENTE INSURANCE COMPANY | *(3) 50% |
| N/A | HAMI - COLORADO, LLC | *(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 PROPERTY AND
CASUALTY 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

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

**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 federally qualified health maintenance organization care plans offered by Health Plan to its members

This revenue is excluded under the provisions of Revenue Ruling 68-27

93B SUPPLEMENTAL CHARGES

Revenue received for co-payments from or on behalf of members for health care services provided under the plans referred to in 93A above

This revenue is 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

This revenue is excluded under the provisions of Internal Revenue Regulation 1 501(c)(3)-1

93D INTERREGIONAL REVENUE

Revenue received from other Kaiser Permanente Medical Care Program affiliated entities for health care services provided to visiting members and other services provided by this Organization for the affiliated entities

This revenue is excluded under the provisions of Internal Revenue Regulation 1 501(c)(3)-1

93E OTHER PROGRAM SERVICE REVENUE

Revenue received as a result of providing services and/or benefits to members

This revenue is excluded under the provisions of Internal Revenue Regulation 1 501(c)(3)-1

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

This revenue is excluded under the provisions of Internal Revenue Regulation 1 501(c)(3)-1

KAISER FOUNDATION HEALTH PLAN, INC.
94-1340523
12/31/2002

**TAXABLE SUBSIDIARY
STATEMENT PART IX**

| <u>DESCRIPTION</u> | <u>OWNERSHIP PERCENTAGE</u> | <u>DESCRIPTION OF ACTIVITY</u> | <u>TOTAL INCOME</u> | <u>END-OF-YEAR ASSETS</u> |
|---|---------------------------------|------------------------------------|--------------------------|-------------------------------|
| OakTree Assurance Ltd One Kaiser Plaza, Suite 1550 L Oakland, CA 94612 03-0329760 | 100 00% | Captive Insurer | 1,443,724 | 3,520,529 |
| Kaiser Properties Services, Inc One Kaiser Plaza, Suite 1550 L Oakland, CA 94612 94-3259432 | 100 00% | R/E Brokerage | 997,310 | 995,341 |
| Kaiser Permanente Insurance Co One Kaiser Plaza, Suite 1550 L Oakland, CA 94612 94-3203402 | 50 00% | Insurance | 74,018,672 | 54,403,287 |
| CHP Companies, Inc. One Kaiser Plaza, Suite 1550 L Oakland, CA 94612 91-1814507 | 100 00% | Holding Co | 0 | 1,000 |
| Kaiser Permanente Health Alternatives One Kaiser Plaza, Suite 1550 L Oakland, CA 94612 94-3113684 | 100.00% | Medical Svcs | 5,316,745 | 3,800,686 |
| | Total | | <u>81,776,451</u> | <u>62,720,843</u> |

KAISER FOUNDATION HEALTH PLAN, INC.

94-1340523

12/31/2002

**INFLUENCE LEGISLATIVE MATTERS
FORM 990, SCHEDULE A, PART III, LINE 1**

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

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

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

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

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

KAISER FOUNDATION HEALTH PLAN, INC.
94-1340523
12/31/2002

STATEMENT ABOUT ACTIVITIES
STATEMENT SCH A PART III, LINE 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 transaction.

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

12/31/2002

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 Community Benefit Report for Kaiser Foundation Health Plan, Inc. for 2002" which is included as a part of this return.

**CONSENT TO APPORTIONMENT PLAN FOR TAXABLE INCOME BRACKETS
BY CONTROLLED GROUP MEMBERS**

PURSUANT TO REGULATIONS ISSUED UNDER INTERNAL REVENUE CODE SECTION 1561(a)(1), WITH RESPECT TO THE TAXABLE INCOME BRACKETS AS ENUMERATED IN THE TAX TABLES AT IRC SECTION, 11(b), THE UNDERSIGNED CORPORATIONS, COMPONENT MEMBERS OF A CONTROLLED GROUP OF CORPORATIONS, WITHIN THE MEANING OF IRC SECTION 1563(a), HEREBY CONSENT TO THE APPORTIONMENT PLAN LISTED BELOW WITH RESPECT TO THE TAXABLE YEAR OF EACH CORPORATION THAT INCLUDES DECEMBER 31, 2002

| EMPLOYER TAX ID # | NAME AND ADDRESS | TAX FORM | Tax Bracket Allocations | | | | |
|---|---|------------------|-------------------------|------------------|------------------|-------------------|---------------------|
| | | | First \$50,000 | Next \$25,000 | Next \$25,000 | Next \$235,000 | Next \$9,665,000 |
| | | TAX BRACKET RATE | 15% | 25% | 34% | 39% | 34% |
| KAISER FOUNDATION HEALTH PLAN GROUP. | | | | | | | |
| 94-1340523 | KAISER FOUNDATION HEALTH PLAN, INC | 990-T | \$44,000 | \$22,000 | \$22,000 | \$206,800 | \$9,015,000 |
| 93-0788039 | KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST | 990-T | NONE | NONE | NONE | NONE | NONE |
| 94-0591617 | KAISER FOUNDATION HEALTH PLAN OF COLORADO | 990-T | NONE | NONE | NONE | NONE | NONE |
| 48-0924402 | KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY INC | 990-T | NONE | NONE | NONE | NONE | NONE |
| 58-1592076 | KAISER FOUNDATION HEALTH PLAN OF GEORGIA, INC | 990-T | NONE | NONE | NONE | NONE | NONE |
| 56-1421313 | KAISER FOUNDATION HEALTH PLAN OF NORTH CAROLINA | 990-T | NONE | NONE | NONE | NONE | NONE |
| 52-0854463 | KAISER FOUNDATION HP OF THE MID-ATLANTIC STATES INC | 990-T | NONE | NONE | NONE | NONE | NONE |
| 34-0822268 | KAISER FOUNDATION HEALTH PLAN OF OHIO | 990-T | NONE | NONE | NONE | NONE | NONE |
| 23-7425486 | COMMUNITY HEALTH PLAN | 990-T | NONE | NONE | NONE | NONE | NONE |
| 94-3299124 | KAISER HEALTH PLAN ASSET MANAGEMENT, INC | 990-T | NONE | NONE | NONE | NONE | NONE |
| 93-0954562 | KAISER HEALTH ALTERNATIVES | 990-T | NONE | NONE | NONE | NONE | NONE |
| 94-3299123 | CAMP BOWIE SERVICE CENTER | 990-T | NONE | NONE | NONE | NONE | NONE |
| 93-0480268 | OHP | 990-T | NONE | NONE | NONE | NONE | NONE |
| 91-2171891 | LOKAHI ASSURANCE, LTD | 990-T | NONE | NONE | NONE | NONE | NONE |
| 03-0329760 | OAK TREE ASSURANCE, LTD | 1120-PC | NONE | NONE | NONE | NONE | \$300,000 |
| 94-3113684 | KAISER PERMANENTE HEALTH ALTERNATIVES | 1120 | \$6,000 | \$3,000 | \$3,000 | \$28,200 | \$350,000 |
| 94-3259432 | KAISER PROPERTIES SERVICES INC | 1120 | NONE | NONE | NONE | NONE | NONE |
| 91-1814507 | CHP COMPANIES INC | 1120 | NONE | NONE | NONE | NONE | NONE |
| 94-3289704 | KAIVEST I LLC | 1065 | NONE | NONE | NONE | NONE | NONE |
| KAISER FOUNDATION HOSPITALS GROUP. | | | | | | | |
| 94-1105828 | KAISER FOUNDATION HOSPITALS | 990-T | NONE | NONE | NONE | NONE | NONE |
| 94-3299125 | KAISER HOSPITALS ASSET MANAGEMENT, INC | 990-T | NONE | NONE | NONE | NONE | NONE |
| 94-3245176 | KAISER PERMANENTE INTERNATIONAL | 1120 | NONE | NONE | NONE | NONE | NONE |
| 94-3292262 | KAISER PERMANENTE VENTURES | 1120 | NONE | NONE | NONE | NONE | NONE |
| 68-0444615 | CARETOUCH, INC | 1120 | NONE | NONE | NONE | NONE | NONE |
| 91-2166347 | KP ONCALL LLC (DISREGARDED ENTITY) | | NONE | NONE | NONE | NONE | NONE |
| N/A | HAMI - COLORADO, LLC (DISREGARDED ENTITY) | - | NONE | NONE | NONE | NONE | NONE |
| TOTAL OF EACH BRACKET ALLOCATED | | | \$50,000 | \$25,000 | \$25,000 | \$235,000 | \$9,665,000 |

THE COMMON ADDRESS OF ALL ENTITIES JOINING IN THIS ELECTION OF APPORTIONMENT AS LISTED ABOVE IS

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

AUTHORIZATION CONSENT FOR ALLOCATION ON BEHALF OF ALL MEMBER COMPANIES



DEBORAH STOKES VICE PRESIDENT AND CONTROLLER OF
KAISER FOUNDATION HEALTH PLAN, INC AND OF KAISER FOUNDATION HOSPITALS
THE ULTIMATE PARENT CORPORATION AND/OR SOLE MEMBER OF EACH OF THE ABOVE
ENTITIES JOINING IN THIS ELECTION OF APPORTIONMENT

**CONSENT TO APPORTIONMENT PLAN FOR ALTERNATIVE MINIMUM TAX EXEMPTION
BY CONTROLLED GROUP MEMBERS**


PURSUANT TO REGULATIONS ISSUED UNDER INTERNAL REVENUE CODE SECTION 1561(a)(3), THE UNDERSIGNED CORPORATIONS, COMPONENT MEMBERS OF A CONTROLLED GROUP OF CORPORATIONS, WITHIN THE MEANING OF IRC SECTION 1563(a), HEREBY CONSENT TO THE APPORTIONMENT PLAN LISTED BELOW WITH RESPECT TO THE TAXABLE YEAR OF EACH CORPORATION WHICH INCLUDES DECEMBER 31, 2002

| EMPLOYER TAX ID # | NAME AND ADDRESS | APPLIC- ABLE TAX FORM | ALLOCATION OF \$40,000 EXEMPTION |
|---|--|--------------------------------|---|
| KAISER FOUNDATION HEALTH PLAN GROUP. | | | |
| 94-1340523 | KAISER FOUNDATION HEALTH PLAN, INC | 990-T | \$40,000 |
| 93-0798039 | KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST | 990-T | NONE |
| 84-0591617 | KAISER FOUNDATION HEALTH PLAN OF COLORADO | 990-T | NONE |
| 48-0924402 | KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC | 990-T | NONE |
| 58-1592076 | KAISER FOUNDATION HEALTH PLAN OF GEORGIA, INC | 990-T | NONE |
| 56-1421313 | KAISER FOUNDATION HEALTH PLAN OF NORTH CAROLINA | 990-T | NONE |
| 52-0954463 | KAISER FOUNDATION HEALTH PLAN OF THE MID-ATLANTIC STATES INC | 990-T | NONE |
| 34-0922268 | KAISER FOUNDATION HEALTH PLAN OF OHIO | 990-T | NONE |
| 23-7425486 | COMMUNITY HEALTH PLAN | 990-T | NONE |
| 94-3299124 | KAISER HEALTH PLAN ASSET MANAGEMENT INC | 990-T | NONE |
| 93-0954562 | KAISER HEALTH ALTERNATIVES | 990-T | NONE |
| 94-3299123 | CAMP BOWIE SERVICE CENTER | 990-T | NONE |
| 93-0480268 | OHP | 990-T | NONE |
| 91-2171891 | LOKAHI ASSURANCE, LTD | 990-T | NONE |
| 03-0329760 | OAK TREE ASSURANCE, LTD | 1120-PC | NONE |
| 94-3113684 | KAISER PERMANENTE HEALTH ALTERNATIVES | 1120 | NONE |
| 94-3259432 | KAISER PROPERTIES SERVICES, INC | 1120 | NONE |
| 91-1814507 | CHP COMPANIES, INC | 1120 | NONE |
| 94-3289704 | KAIVEST I, LLC | 1065 | NONE |
| KAISER FOUNDATION HOSPITALS GROUP | | | |
| 94-1105628 | KAISER FOUNDATION HOSPITALS | 990-T | NONE |
| 94-3299125 | KAISER HOSPITALS ASSET MANAGEMENT, INC | 990 T | NONE |
| 94-3245176 | KAISER PERMANENTE INTERNATIONAL | 1120 | NONE |
| 94-3292262 | KAISER PERMANENTE VENTURES | 1120 | NONE |
| 68-0444615 | CARETOUCH, INC | 1120 | NONE |
| 91-2166347 | KP ONCALL LLC (DISREGARDED ENTITY) | - | NONE |
| N/A | HAMI-COLORADO, LLC (DISREGARDED ENTITY) | - | NONE |
| TOTAL ALTERNATIVE MINIMUM TAX EXEMPTION | | | <u>\$40,000</u> |

THE COMMON ADDRESS OF ALL ENTITIES JOINING IN THIS ELECTION OF APPORTIONMENT AS LISTED ABOVE IS

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

CONSENT AND AUTHORIZATION FOR ALLOCATION ON BEHALF OF ALL MEMBER COMPANIES


DEBORAH STOKES, VICE PRESIDENT AND CONTROLLER OF
KAISER FOUNDATION HEALTH PLAN, INC AND OF KAISER FOUNDATION HOSPITALS
THE ULTIMATE PARENT CORPORATION AND/OR SOLE MEMBER OF EACH OF THE ABOVE
ENTITIES JOINING IN THIS ELECTION OF APPORTIONMENT



KAISER PERMANENTE

**COMMUNITY BENEFIT REPORT
FOR
KAISER FOUNDATION HEALTH PLAN, INC.
FY 2002**

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



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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") Additionally, Kaiser Foundation Health Plan, Inc has five subsidiary health plans that are no longer operating and have been or are being dissolved because Kaiser Permanente has divested its Northeast, North Carolina, and Kansas City Regions (Kaiser Foundation Health Plan of Connecticut, Inc , Kaiser Foundation Health Plan of Kansas City, Inc , Kaiser Foundation Health Plan of North Carolina, CHP Companies, Inc , and Community Health Plan)

In 2002, Kaiser Permanente serves over 8.4 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 non-profit health care program in the United States with over 131,000 employees and over 11,000 contracting physicians In California, KFHP and KFH serves more than 6.3 million members, with 91,000 administrative, clerical and technical employees, as well as 8,051 Permanente physicians representing all specialties KFHP and KFH in Hawaii serve approximately 233,646 members, with 4,555 employees and 353 full-time equivalent 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 as well as 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 Kaiser Permanente receive a full range of prepaid health care services, including hospital care, professional care in hospitals and physicians' offices, x-ray and laboratory services, physical therapy, emergency, ambulance, and preventive services, health education and prescribed drugs

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 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 (each referred to herein as "Health Plan") Health Plan provides and arranges comprehensive health care services for members on a predominantly prepaid basis and fulfills its contractual

obligations to group and individual members by contracting with KFHP 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 or leased by KFHP and 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 licenses for hospitals with two separate 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 and 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 this 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 the greatest value, and generates resources to reinvest in the communities' health.

Second, Kaiser Permanente directly invest 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. Direct Community Benefit 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 the Medicaid and Medicare programs, 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 community benefit 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
- Meet the requirements placed on KFH, KFHP, and its subsidiary health plans, as tax-exempt organizations that return value to the communities served beyond the provision of health care to members

The Board directed that this new community benefit 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 to be 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

- *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 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. KFHP has incorporated the following elements that support and facilitate the attainment of its social mission into its operations:

- ***Integrated Services and Facilities*** – KFHP has organized and integrated the professional and physical resources required to provide comprehensive health care. In hospital-based Kaiser Permanente Regions, this care primarily occurs at major medical centers, as well as at nearby outpatient medical offices owned by KFH and at medical office buildings owned or leased by KFHP. Our members typically have available in one place all the services and professional care they require which facilitates a coordinated approach to care. Equipment and supporting personnel are shared and high-technology services such as neurosurgery, open heart surgery, and cancer treatment centers are also centralized to facilitate development and transfer of best clinical practices among all Permanente providers.
- ***Group Practice*** – Contracting Permanente Medical Groups are organized into large multi-specialty group practices that take responsibility for providing comprehensive care to a defined population in facilities owned or leased by KFH or KFHP. The income that Permanente Medical Groups and their physicians receive is solely 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** – 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 850,000 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's. Currently, KFHP and its subsidiaries provide care to over 145,000 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 KFH 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 KFH Boards of Directors.
- **No private inurement** – 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 PROGRAM IN CALIFORNIA AND HAWAII

In 2002, Kaiser Permanente spent approximately \$485 million or approximately 2.2% of revenue, to support the Community Benefit Program in the communities. In California and Hawaii, KFHP and KFH spent approximately \$417 million, of which \$200 million is allocable to the health plan and another \$217 million is allocable to hospitals.

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

EDUCATION

Kaiser Permanente in California and Hawaii spent approximately \$51.3 million to educate consumers and health care professionals during 2002.

CONSUMERS

KFH in California and Hawaii spent approximately \$5.3 million and KFHP spent another \$200,724 on community wellness and health education programs.

Health Education Activities

KFHP and KFH provide 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 different topics of health education print materials and videos produced by Kaiser Permanente are available to the community.

Teen Choices and Challenges

Recognizing that adolescents as a group have growing risk for illnesses and injuries, Kaiser Permanente developed an interactive health risk assessment on CD-ROM to be used individually and followed by an education and counseling session as an innovative approach to providing preventive health and psychosocial services to teens. Using a computer, a teen selects a topic of concern such as diet and exercise or stress and depression or sexual activity and then answers a series of questions tailored to their level of knowledge and risk. After the assessment, customized responses are printed for both the teen and health care provider or counselor to discuss during a confidential follow-up session which may involve additional counseling sessions, distribution of health information materials and referrals to other medical and psychosocial services, as needed. The program has been implemented in over 70 California high schools and community agencies.

Community Wellness Library

In partnership with the California Primary Care Association, Kaiser Permanente launched a new online medical library web site that offers free medical and health education materials to community health centers and providers. The web site contains the most current Kaiser Permanente produced clinical and health education compact discs and videos. Community health videos are available for patients who wish to become better informed or those individuals who want general health information. Many of the health subjects are featured in several languages including Spanish, Cantonese and Mandarin. Health care providers also have access to continuing medical education tapes to stay abreast of the best practices in clinical care. All materials offered through the web site are available for loan at no cost or can be purchased at a minimal price.

Educational Theatre Program

The Educational Theatre Programs (ETP) use 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. Professional actors who are also trained health educators deliver all performances.

Now in its 18th year, ETP's programs continue to be a free community benefit. In addition to the performances, ETP supplies schools and organizations with supplementary educational materials such as workbooks, parent and teacher guides, and student wallet cards. The materials were designed to reinforce the messages presented on stage. In 2002, over 390,000 children and adults participated in a production by attending one of more than 1,200 performances. 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, and

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

The Community Troupe provides community groups with customized educational theatre programs and services. The troupe is currently offering a mini-production around the issues of childhood asthma.

Other Community Health Education Support

KFH in California and Hawaii donated \$414,668 of community benefit funds to support community programs and services aimed at educating consumers on a wide range of health issues and topics. Examples of community health education programs and activities supported through grant funds are listed below.

- California Health Decisions (CHD), a non-profit organization dedicated to bringing the voice of consumers to health care issues received funding for their newest program designed to educate consumers to make informed healthcare decisions. The "Choosing & Using Health Benefits" program was focused on helping consumers understand the array of health benefit opportunities now being presented, included the emerging trend called "consumer-driven" or "defined contribution" health plans. Consumers remain unaware of how these benefits shift costs to the employee and are therefore unable to make educated decisions about their health benefit options.

Through Choosing & Using Health Benefits, CHD conducted focus groups as well as a phone survey of over 800 individuals to better understand what consumers know and what they don't know about their benefit options, and specifically the consumer directed health plan option. Their findings yielded that few Californians are aware of the consumer directed health plans and as they become more informed, they become less willing to consider them as an option. This exciting new research will enable CHD to develop tools for health care consumers as the second phase of this effort to make more informed choices about their health benefits.

- The Institute for Healthcare Advancement received sponsorship for their *Second Annual Health Literacy Conference* to be held in May 2003. Despite increasing attention being focused on low health literacy, the negative impacts of this pervasive problem still permeate our society. The number of Americans with reading skills at or below the 5th grade level is huge, the cost of low health literacy in terms of increased morbidity and mortality remains unacceptably high, the cost in dollars, in these days of severe health care budget constraints, huge. KFH is committed to being more than a sponsor of the conference, and has decided to be a partner in efforts assisting the community clinics with developing low literacy materials.
- KFH donated 27,600 preventive health videos to 1,200 libraries across the state of California. The set of health videos, many of which are available in Spanish, contain information on a range of common health concerns from heartburn to backpain, to asthma management to prenatal care to carpal tunnel syndrome. Now, more Californians will now be able to learn how to prevent a cold, care for a newborn or manage asthma by borrowing the videos for their own personal viewing at home.
- The American Public Health Association (APHA), a leader in preventing diseases and promoting health since 1872, received support from KFH for their public education campaign on preparing for bioterrorism. APHA's priority is primarily to educate underserved and low-income communities in California about bioterrorism, and what public agencies are currently doing to prevent and prepare against attacks.
- Continued support and staffing to both the American Diabetes Association of Hawaii's Diabetes Camp for children and the American Lung Association's Open Airways program for asthmatic children in Hawaii.

HEALTH CARE PROFESSIONALS

In 2002, \$46 million was spent on educating and training a wide range of health care professionals in California and Hawaii.

Continuing Medical Education

KFH in California and Hawaii spent approximately \$6.2 million in providing continuing medical education to community physicians and providers, and to the physicians affiliated with the Permanente Medical Groups and other health care providers. Nearly 2,000 different continuing education programs were offered during 2002, with over 68,000 continuing education units (CEU) earned.

Educational Symposiums for Health Care Professionals

KFH spent approximately \$1.8 million in California and Hawaii to organize 36 health related symposiums to educate and inform health care providers and people who work in health care on variety of issues and topics such as behavioral healthcare, bioethics, diabetes, migraine, pain management, prevention and self-care and women's pelvic floor disorder.

Graduate Medical Education

The first KFH Graduate Medical Education residency program began more than 50 years ago in Oakland, California. Today, all hospital-based regions provide training and education for medical residents and interns. The nationally acclaimed program attracts some of the top medical school graduates in the United States and serves as a national model by educating the next generation of physicians in an integrated health care delivery system. Residents are offered the opportunity to practice on a large, culturally diverse patient base and in a setting with sophisticated technology and information systems, established clinical guidelines and an emphasis on preventive and primary care.

In California and Hawaii, KFH spent \$30.5 million on graduate medical education to educate 1,500 interns and residents. The majority of medical residents are studying within the primary care medicine areas of Family Practice, Internal Medicine, OB/GYN, Pediatrics, Preventive Medicine, and Psychiatry.

The residency program makes a significant contribution to the social mission of the organization. As part of their residency program, many of the graduate medical residents include a community service rotation component. The following provides a few examples of the community projects undertaken by the residents:

- Two residents from Family Practice and one pediatric resident along with two Allergy Fellows from the KFH-Los Angeles Medical Center served as camp physicians for asthmatic children attending a special summer camp program.
- Family Practice residents from the KFH-Fontana Medical Center ride-along with the paramedic unit from the City of Ontario Fire Department and provide additional services for victims of domestic violence by offering counseling and diffusing volatile situations.
- Orange County Rescue Mission Mobile Clinics provide medical care to the homeless and medically indigent in the area. With the volunteer services of residents from the KFH-Anaheim Medical Center, they were able to expand hours of operation to evening and weekends.
- Every Tuesday, KFH internal medicine residents in Northern California staff the Montgomery Street Homeless Shelter. Many of the individuals who use the shelter services suffer with chronic medical and psychological conditions.
- Stanford medical students who were concerned about the need for free medical care for the community residents in the Menlo Park district of Palo Alto started the Arbor Free Clinic. KFH residents volunteer on Sundays to examine and treat uninsured patients at this clinic.

Nurse Practitioner and Other Non-Physician Training Programs

During 2002, KFH in California and Hawaii supported the training and education of nearly 900 students pursuing a career among the various occupations in the health care field, spending \$6.4 million in seventeen training and education programs for nurse practitioners, nurses, radiology and pharmacy technicians, physical therapists, and other non-physician health professionals. Examples of these programs are listed below:

- **Kaiser Permanente Deloras Jones Registered Nurse Scholarship Program**

This program provides financial assistance for students enrolled in any one of the nursing programs in the community to encourage and support them to become registered nurses or pursue advanced nursing degrees. Need-based scholarships are awarded in several categories, including underrepresented groups in nursing; academic excellence, nursing as a second career, and graduate studies in nursing. A limited number of merit-based scholarships are also offered to Kaiser Permanente employees pursuing a bachelor's degree in nursing. Since 1989, over 2,000 scholarships (valued at \$2.5 million) have been awarded to nursing students in California.

- **Kaiser Permanente – California State University Fullerton RN-to-BSN Collaborative Program**

With the start of the 2001 fall semester, the Kaiser Permanente Distance Learning Program and California State University (CSU) Fullerton entered into a partnership to offer a new RN-to-BSN program. Over 150 registered nurses enrolled in the program and attend class at eight sites throughout California. Courses are conducted using a combination of interactive videoconference and the Internet. The current cohort has two tracks, fast and slow. The fast track is scheduled to complete in June 2004. The slow track, for nurses needing more time to complete requirements, is scheduled to complete in August 2004.

Due to the success of the current cohort, Kaiser Permanente and CSU-Fullerton will begin a second cohort in the fall 2004. All cohorts are open to both Kaiser Permanente and community registered nurses.

- **Kaiser Permanente School of Allied Health Sciences**

The School of Allied Health Sciences (KPSAHS), formerly known as the KP School of Radiology, is located in Richmond, California. The 24-month radiography program was established in 1989 in response to the severe shortage of radiologic technologists. Because of the continued national shortage of medical imaging workforce, KPSAHS expanded the school to include 18-month sonography and nuclear medicine programs.

KPSAHS provides educational programs and promotes learning to develop a skilled allied health workforce and improve quality and access of health care services in the communities we serve. To assist students to achieve these outcomes, KPSAHS provides the highest quality of laboratory setting including computer-based training, clinical simulators, and state-of-the-art videoconference equipment for distance learning.

- **Kaiser Permanente Pharmacist Residency Program**

During either a one- or two-year, postgraduate education and training program, licensed pharmacists have the opportunity to gain additional experience and training in the provision of pharmaceutical care and pharmacy services administration in a fully integrated, nonprofit managed care organization. The programs enable them to improve their clinical knowledge and skills while experiencing the continuity and options of care in a range of ambulatory, intermediate and hospital settings. This nationally accredited program in California accepts about 25 residents annually.

- **Kaiser Permanente Clinical Psychology Internship Training Program**

Pre-doctoral and post-doctoral students enrolled in the Clinical Psychology Internship Training Program augment their educational experience by working in a high quality educational environment, having direct responsibility (under the supervision of licensed staff) for patients selected from a large and varied patient base, and working with a multidisciplinary staff. The Los Angeles Medical Center offers the pre- and post-doctoral programs. Only a pre-doctoral program is offered at the San Diego Medical Center. The American Psychological Association accredits all programs.

- **Physical Therapy Residency and Fellowship Programs**

The program began training physical therapy residents in 1991 at the Los Angeles and West Los Angeles Medical Centers. The first tier of this two-tiered program is the orthopedic physical therapy residency, in which licensed therapists complete one year of training to become clinical specialists in this area of practice. The second tier or fellowship track, established in 2000, and provides additional clinical training in two separate areas. One is in manual therapy and the other is in movement science. Eight therapists are accepted annually as residents, and are offered training at four medical centers in Southern California. Another eight therapists are accepted into the fellowship track offered only at the Los Angeles and West Los Angeles Medical Centers.

- **Kaiser Permanente School of Anesthesia for Nurses (KPSAN)**

The school founded in 1972, is a pioneer of graduate level education for nurse anesthetists. The program recently celebrated its 30th anniversary offering advanced practice nursing education. The school in partnership with California State University Fullerton offers a two-year, sequential academic and clinical graduate program for nurses with a baccalaureate degree. Upon completion of the program students earn a Master of Science in Nursing degree with a clinical specialty in anesthesia.

The school has formed partnerships with the San Diego Naval Hospital, Riverside County Medical Center, Arrowhead Regional Medical Center, Children's Hospital of Los Angeles and California Hospital Medical Center, where CRNA students provide hundreds of hours of free care to many medically underserved patients. Scholarships for students are available through the National Black Nurses Association, which supports educational opportunities for African-Americans, the National Association of Hispanic Nurses and the American Association of Nurse Anesthetists Foundation.

In 1998, KPSAN also established a partnership with Samuel Merritt College to provide instruction for students statewide via distance learning. Further expansion is underway with sites in the Northwest and Hawaii Regions.

Other Support given to the Education of Health Care Professional in the Community

In California and Hawaii, KFH also spent \$901,177 to support the training and education of health care professionals in the community by donating community benefit funds to designated programs. The following provides a few examples of health care professional education programs and activities supported through grants funds.

- Samuel Merritt College Certified Registered Nurse Anesthesia Program annually receives funds to cover the salary for the Associate Director. In 1994, Kaiser Permanente and Samuel

Merritt College partnered to establish the only program for Nurse Anesthesia in Northern California. Hospitals also provide students of the program the opportunity to complete their clinical rotations in selected facilities.

- The Basic Adult Spanish Education (BASE) trained an additional 18 low income, welfare-to-work and other disadvantaged adults as Certified Nurse Assistants (CNA) through a KFH grant. The BASE program provides comprehensive CNA training and also helps with job placement after students pass their state certification exam.
- Another way KFH is addressing the nursing shortage is through community benefit funds that support the hiring of additional faculty needed to expand nursing education enrollment slots at several community colleges and universities. Many nursing programs throughout California reported waiting lists of qualified applicants and the lack of funds to hire the required faculty. In 2002, Bakersfield City College, Los Angeles City College, Los Medrano College and San Diego State University received funding allowing an additional 80 students to begin their nursing education.
- The John A. Burns School of Medicine, Honolulu, Hawaii (the only medical school in the state) received support from KFH for their relocation efforts and capital campaign. The school is projected to re-emerge as a world class teaching and research facility, with an emphasis on the training and education of physicians who desire to establish and maintain a specialty or primary care practice in Hawaii.
- Shanti provides compassionate volunteer services to the terminally ill and frail elderly in the San Francisco Bay Area. KFH and Blue Shield jointly funded the cost of providing training and technical assistance for the volunteer managers. The 2-day workshop will train managers from 20 hospice centers and provide needed materials for a full year. The low cost and high quality of hospice services are beneficial to the members it serves.

EVIDENCE-BASED HEALTH CARE

KFH in California and Hawaii spent approximately \$18.7 million to support clinical and health research activities. 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 more than 40 eminent 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.

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.

In California, Kaiser Permanente 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 1980's, and Kaiser Foundation Research Institute (KFRI) Recently, two nursing research units have begun the opportunity to engage in research on nursing practice, patient care, and patient outcomes in order to improve clinical practices

Community Benefit funds support research that meets important medical and social needs, such as preventing violence, preventing 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 During 2002, Kaiser Permanente conducted over 400 research projects, published the findings of 119 studies in external journals and wrote a combination of 13 book chapters or books A few examples are described below

- **Prevalence of Dementia in Users of Hormone Replacement Therapy as Defined by Prescription Data**

Previous studies of hormone replacement therapy (HRT) and cognitive impairment show mixed results This study was done to assess the prevalence of dementia and cognitive impairment in users and nonusers of HRT using computer-stored prescription information Published in the Journal of Gerontology Medical Sciences 2002, 57A M532-53

- **Caregiver Education and Support: Results of a Multi-site Pilot in an HMO**

Studies citing positive results of caregiver support programs was the impetus for this pilot study Caregiver workshops were offered to members of several Kaiser Permanente facilities as part of a large demonstration project to add community care to HMO services Published in Home Health Services Quarterly 2002, 21 49-72

- **Clinical Nurse Specialists - Patterns of Practice**

This study examines roles and activities, outcomes, and barriers to practice among clinical nurses specialists (CNS) Role theory and five traditional CNS role components as identified by the California Board of Registered Nurses

- **Reach Out: Kaiser Permanente Middle School Depression Prevention, Screening and Early Detection**

This project partners with a middle school in the city of Oakland in order to develop and test a community-based culturally appropriate curriculum to improve the knowledge, attitudes, and skills of school staff, parents and students to better identify adolescent depression and access resources and services for early intervention.

- **Ethnic Disparities in Diabetic Complications in an Insured Population**

The results challenge health care providers and others attempting to meet national objectives of the Initiative to Eliminate Racial and Ethnic Disparities in Health, by showing that even when there is comparable health insurance coverage, ethnic disparities persist in each of the five major complications of diabetes Published in the Journal of the American Medical Association, May 2002

Health Sciences and Medical Libraries

KFH in California and Hawaii spent over \$5.1 million to support medical libraries and other health resource and information dissemination services. These programs allow medical staff and the greater professional community access to health-related research conducted within and outside of Kaiser Permanente. In 2002, Medical libraries established an inter-loan system with other community hospitals, supported students in training and education programs to conduct literature searches and conducted searches for community clinics and other community-based organizations on advances in medical treatment, clinical protocols and new development on specific health issues.

Tumor Board and Registry

Cancer reporting is mandated by the States of California and Hawaii to gather information on the amount and type of cancer occurring. A complete and accurate patient abstract is prepared for every new case of cancer first seen for the diagnosis and/or treatment of a new or prevalent cancer. Each patient is followed on an annual basis for the remainder of his or her life. Each hospital-based region has designated staff to collect the state-mandated information and transmit the information electronically each month. Cancer registry data is used to support numerous research projects. KFHC in 2002 spent \$3 million to support the Tumor Board and Cancer Registry.

Other Support given to Evidence-based Medicine

In California and Hawaii, KFHC also spent \$258,620 to support programs and projects that develop and communicate data and information to establish evidence for what medical care works among diverse populations. The following provides an example of grant funds donated to support evidence-based medicine:

- In 2002, KFHC supported the UCLA Center for Health Policy Research for the California Health Interview Survey (CHIS) with grant funds to disseminate the results of the survey, and jointly hosts five community briefings. The purpose of the briefing will be to enhance knowledge about the use of CHIS 2001 data and results and educate communities about the importance of participating in the next survey, scheduled for late 2003. These briefings will also help stimulate a public education campaign effort for CHIS 2003. Proposed locations for community briefings are Los Angeles, San Diego, San Francisco/Oakland Bay Area, Sacramento, and Fresno.

PUBLIC POLICY

During 2002, KFHC used its expertise and convening power to develop and disseminate information on health policy issues that reflects both the interest of the country and residents of California. Over \$800,000 of community benefit funds were used to support several health care public policy programs and activities in California and Hawaii. The following are a few examples:

- Maternal Child Health Access, Inc (MCH) is dedicated to ensuring meaningful access to health and social services for low-income women and their families. MCH places an emphasis on educating policymakers, consumers and the general public to improve health and social service systems. The organization requested and received funding to address some very specific access barriers to Minor Consent MediCal, and to support their work to preserve and reshape the Los Angeles County public health system. With the financial support, MCH was able to interface with the State Department of Health Services staff to design and implement administrative changes to enable minors to access Minor Consent MediCal. MCH staff also engaged the Department of Public Social Services staff, community advocates, and other experts to implement strategies to mitigate the detrimental impact of loss of out-stationed workers. Lastly, MCH engaged in advocacy efforts to increase stakeholder participation in the strategies to secure stable funding for the Los Angeles County health system.
- Together, KFH and the United Way of Greater Los Angeles partnered to produce the American Dream Makers Report which was an in-depth look at the state of the Latino community in Los Angeles County. This report received much attention and it helped focus the media, businesses and grant makers on the successes as well as the challenges of the Latino community.

As a follow-up to the report, KFH sponsored a Latino Leadership Summit in August 2002. During the summit, community leaders decided that it was important to develop a "scorecard" to help measure the change in addressing the top five priority issues of housing, public safety, education, economic development and health affecting the Latino community. In addition to supporting the project with community benefit funds, KFH has selected representatives to participate on the planning committee. The planning committee is chaired by Monica Lozano, Associate Publisher of La Opinion newspaper. Other partner institutions include the Pat Brown Public Policy Institute, Pepperdine University, UCLA Center for the Study of Latino Health and Culture, Tomas Rivera Institute, and the Center for the Study of Los Angeles at Loyola Marymount University. The development of the scorecard data will be released in May 2003.

- Building on the new California managed care regulations to promote consumer understanding of health plans and a grant from KFH, the Western Center for Law and Poverty will be hosting a Managed Care Policy Summit in 2003 to educate second and third tier consumers about managed care organizations. This one-day conference will target 100 legal service advocates, legislative staffers and others who do not strictly work in advocacy but who get involved in patient advocacy for various reasons. The summit will include topics such as relevance of quality measures to consumers, providers as consumer advocates, linguistic access and cultural competency, and the role of managed care in MediCal and Healthy Families.
- The American Cancer Society in Hawaii was awarded community benefit funds to convene a statewide conference on breast cancer and provide community outreach services specifically targeting at-risk Asian and Pacific Islander women. As a result, the collaboration influenced the state legislature to provide funds for breast cancer prevention and treatment for women who do not have health care coverage.

- In 2002, the Kaiser Permanente Institute for Health Policy (KPIHP) sponsored an initiative to examine non-traditional alternatives to the current medical liability system that would make compensation fairer and more predictable or improve transparency and patient safety incentives. KPIHP in co-sponsorship with the Milbank Fund Memorial and the reforming States Group, prepared a monograph and planned a roundtable discussion on this topic.

VULNERABLE POPULATIONS

In 2002, KFHP and KFH in California and Hawaii spent \$342 million in addressing the financing and delivery of health and social problems of populations vulnerable because of socio-economic status, illness, ethnicity, age or other factors. The following highlights many of the programs and services offered in California and Hawaii for vulnerable populations.

MEDICAL CARE SERVICES

KFHP and KFH combined spent approximately \$335 million to provide a variety of medical care services to under- and uninsured residents in California and Hawaii.

Charitable Care

KFH spent nearly \$23.3 million to assist patients with limited resources to pay for care provided in Kaiser Permanente facilities. Hospitals in California and Hawaii have programs in place to help families and individuals that are unable to meet all or part of the cost of medical care on an immediate and nonrecurring basis. The amount reported under this category is only part of the funds spent by Kaiser Permanente for the poor and uninsured. The organization's commitment to charitable care also is reflected in a variety of other programs and initiatives such as the Community Clinic Partners Program, Kaiser Permanente Cares for Kids, the Steps Plan and grants and donations.

Dues Subsidy Programs

KFHP and KFH spent approximately \$51 million to provide subsidized coverage to over 20,000 low-income adults and children who are not eligible for other public or privately funded coverage in California and Hawaii. Approximately \$16 million is attributable to services provided by KFH and approximately \$35 million is attributable to KFHP.

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 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. The premium of the Steps Plan is subsidized at four levels of 20%, 40%,

60%, and 80% Participants, whose family income falls 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, depending on the premium step at which they entered the plan

- **KPCK Child Health Plan-1 (CHP-1)**, opened for enrollment in September 1998, 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 benefits 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 As of December 31, 2002, 2,881 children were enrolled in CHP-1
- **KPCK Child Health Plan-2 (CHP-2)** is a 30-month pilot program that was launched in July 2001 CHP-2 targets non-citizen 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 each year, regardless of the number of enrolled children The families also incur low co-payments for some services As of December 31, 2002, 3,095 children were enrolled in CHP-2

In Hawaii, the Dues Subsidy Program includes 9/11 Gap Conversion and Aged Foster Children Pilot Project

- The **9/11 Gap Conversion Plan**, provides partial health plan dues subsidy for both KFHP members and nonmembers who lost their jobs as a result of the events of September 11, 2001
- The **Aged Foster Children Pilot Project** offers additional assistance to children who are in the process of aging out of the state foster care system, and who are trying to integrate in society by obtaining housing, employment and education and/or vocational training Fully subsidized membership is provided to individuals who are in need of health care because they do not qualify for other government sponsored or mandated programs

Participation in Medicaid and Other Publicly Financed Programs

KFHP and KFH have a long history of participation in publicly financed health programs and subsidized these programs in an amount equal to \$255.1 million in 2002 Of which, KFHP subsidized these members in an amount equal to approximately \$162.5 million and another \$92.6 million is allocated to KFH

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

- **Medi-Cal (Medicaid)** – During 2002, KFHP enrolled an average of 106,264 Kaiser Permanente Medi-Cal managed care members in California and provides comprehensive inpatient and outpatient care through various local and state government entities. 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** – In addition, KFHP and KFH subsidized other Medicaid enrollees who were not enrolled in our prepaid program in an amount equal to approximately \$112 million in California.
- **Healthy Families** – KFHP enrolled an average of 41,521 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, QUEST and Hawaii S-CHIP are the specific government sponsored health care products.

- **QUEST (Medicaid)** – During 2002, the Hawaii Region provided care to an average of 18,649 Medicaid beneficiaries on a prepaid basis. In addition, KFHP and KFH subsidized other Hawaiian Medicaid enrollees who were not enrolled in the prepaid program.
- **Hawaii S-CHIP** – KFHP enrolled an average of 1,321 children in the State Children Health Insurance Plan (S-CHIP), a state funded managed care program for uninsured children from birth to 19 years old from low and moderate income families in Hawaii. In addition, 267 children were enrolled in a related state program for immigrant children who do not qualify for S-CHIP.

Grants and Donations for Medical Care Services for Vulnerable Populations

Over \$5.4 million were donated by KFH in California and Hawaii to support the delivery of medical care services to a variety of individuals who were seeking services by community providers

- **Community Clinic Partners Program** – This program was created in response to the growing number of medically indigent California residents. Each medical center forms partnerships with neighboring community, free and school-based health clinics to increase their service capacity. KFHP and KFH provide financial, human, and technical resources to the clinics, and Kaiser Permanente physicians, nurses, medical professionals and other employees volunteer their time. Graduate medical residents and participants in other health profession training programs complete rotations at several clinics to provide care for uninsured patients. KFHP and KFH donate surplus equipment, furniture, and supplies, including computers, examination tables, filing cabinets, and waiting room chairs to the clinics. In addition, as part of the program, regional and state clinic associations receive funds to ensure that the existing network of “safety net” providers remains coordinated and strong. For 2002, additional funds were contributed to many of the clinics and health centers to increase their capacity and directly improve access to care.
- **Growing Healthy Communities HIV/AIDS Grants** – KFH awarded community benefit grants totaling \$352,500 to 74 non-profit agencies and programs in California that provide special services to people who are HIV-positive or have acquired immune deficiency syndrome (AIDS). The funds were used to provide everything from hot meals and housekeeping services to legal advocacy to support groups to direct care and treatment. Many of the grantees are also involved in outreach efforts aimed at preventing new HIV cases. This special funding category has existed since 1989, bringing the total amount of funds given to HIV-focused organizations from inception to \$2.8 million.
- The American Hospital Association has honored Operation Access and Kaiser Permanente, as one of the five winners of its national 2002 NOVA award. The award recognizes innovative programs focused on improving health. Operation Access provides free surgical care for the uninsured in seven Bay Area counties through a network of 210 medical volunteers. KFH-San Francisco was the pilot site for the program, a Kaiser Permanente physician was a co-founder of Operation Access, and now many of the Northern California KFH facilities also participate in the program. Kaiser Permanente’s participation in the program has been instrumental in recruiting other hospitals by demonstrating how easily the program operates and the important role it plays in serving the uninsured.
- In addition to financial and leadership support, the Tzu Chi Foundation Free Clinic’s patients were able to obtain diagnostic services at the Kaiser Permanente Moanalua Medical Center in Hawaii free of charge.

COMMUNITY-BASED PROGRAMS

KFH spent approximately \$6.6 million to support a variety of community programs that provide services to the uninsured, children and families in California and Hawaii. The programs listed below are free and open to members of the community

Community Health Partnership

Community Health Partnership Program was initially developed to involve Kaiser Permanente and other community stakeholders and health care providers within Solano County in a collaborative effort to improve access to care and enhance community health

In 1989, the Community Health Partnership Program was created at KFHV-Vallejo to help organize the Solano Coalition for Better Health, involving health care providers, consumers, elected officials and others committed to improving the health of the community. The first major creation of the coalition was the Partnership Healthplan of California, and KFHV-Vallejo and its partners have engaged in a range of additional health improvement initiatives from prevention to reducing racial disparity in health status. In 1996, Community Health Partnership Program was expanded to KFHV-Walnut Creek, where a strategy of engaging physicians and staff in communities where our members lived, worked, and attended school in efforts to improve the health of entire populations, which originated at KFHV-Vallejo, was pursued

Learning Centers

In 2002, \$2.5 million was spent by KFHV in California 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, 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, KFH spent approximately \$1.6 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 a nationwide career development organization whose mission is to recruit minority college students and begin preparing them for corporate employment. Student interns typically work 2 to 5 summers with the organization with the goal of permanent placement upon graduation from college.

In 2002 over 500 California youth were employed by Kaiser Permanente through these two programs

Grants and Donations for Community Programs to meet the needs of Vulnerable Populations

KFH in California and Hawaii gave approximately \$2 million to more than 200 community organizations for a variety of other programs and services for vulnerable populations. Here are some examples of the community organizations that received funding, in-kind and staff resources in 2002

- How many families can truly afford keeping their home a safe, warm and sustainable place to live? There are currently 22 million low-income homeowners, many of whom are in California. Rebuilding Together is a nonprofit organization dedicated to making a sustainable impact in communities by the preservation and revitalization of low-income housing and communities. With a grant, Rebuilding Together continued their work providing year round emergency services as well as coordinating major rehabilitation projects to low income homeowners in California. Kaiser Permanente volunteers from several medical centers in conjunction with the California Rebuilding Together program will rehabilitate 300-400 houses and nonprofit facilities in their communities in 2002.
- LA's Best After-School Enrichment Program was given a large grant from the Southern California Regional Offices to support the continuation of the program at 12 new sites within Los Angeles Unified School District. LA's Best was established in 1988 to provide a safe and supervised after-school education and enrichment program for children ages 5 to 12 in the underserved areas of greater Los Angeles. Today, the program offers homework assistance and tutoring, reading, science, math and computer activities, conflict resolutions, nutrition and excursions to 104 elementary schools serving over 700 students. Ninety percent of the children who participate in the program come from working poor families, live in communities of violence and crime and speak English as a second language. A study conducted by UCLA concluded that children who participate in the program demonstrated

higher school attendance rates, and improved standardized test scores in math, reading and language arts. The program clearly provides children with positive after-school opportunities where they are off the street and out of harm's way.

- Kaiser Permanente staff from the Wailuku Clinic on the island of Maui have been actively supporting the KA Hale Ake Ola Homeless Resource Center. The center received funding in 2002 to purchase computers for its learning center where area residents are taught basic computer skills and can write their resumes.
- The Salvation Army Family Treatment Services, a shelter for abused women and their children, received various in-kind support from the Kaiser Permanente Honolulu Clinic. This partnership entails a variety of projects the staff has taken on during the year such as maintaining and beautifying the facility and grounds, and organizing special events for the clients. In addition, staff was able to solicit the support of Panda Express to provide catering services for many of the shelter events.

OTHER COMMUNITY BENEFITS

KFH supported other community benefit activities and programs beyond the four areas of focus. In 2002, KFH spent \$2.2 million on other community benefits in California and Hawaii. The majority of funding supported community-giving campaigns to raise funds for organizations such as the United Way, Brotherhood Crusade, and the Latino Fund.

TOTAL COMMUNITY BENEFIT INVESTMENTS FOR 2002

The following charts summarize 2002 community benefit invested, nationally and for KFHP and for KFH. The investment in the community reflected in the charts are unaudited.

2002 NATIONAL COMMUNITY BENEFIT PROGRAM INVESTMENT

| CB PRIORITY AREAS | NATIONAL HEALTH PLAN TOTAL | NATIONAL HOSPITAL TOTAL | NATIONAL CB TOTAL |
|---------------------------------|----------------------------------|----------------------------|----------------------|
| EDUCATION | | | |
| Health Professionals | \$1,514,311 | \$47,769,383 | \$49,283,693 |
| Consumers | 2,481,001 | 5,434,653 | 7,915,654 |
| <i>Subtotal</i> | <i>3,995,312</i> | <i>53,204,035</i> | <i>57,199,347</i> |
| EVIDENCE-BASE | | | |
| Research | 605,645 | 13,181,636 | 13,787,282 |
| Medical Libraries | 70,877 | 5,333,781 | 5,404,658 |
| Tumor Board & Cancer Registry | 237,296 | 3,685,402 | 3,922,697 |
| <i>Subtotal</i> | <i>913,818</i> | <i>22,200,819</i> | <i>23,114,637</i> |
| PUBLIC POLICY | | | |
| Public Policy Grants | 123,992 | 834,289 | 958,281 |
| <i>Subtotal</i> | <i>123,992</i> | <i>834,289</i> | <i>958,281</i> |
| VULNERABLE POPULATIONS | | | |
| Medical Care Services | 244,835,730 | 138,832,625 | 383,668,355 |
| Community-Based Programs | 2,119,260 | 6,644,271 | 8,763,531 |
| Other Vulnerable Populations | 4,745,924 | 975,351 | 5,721,275 |
| <i>Subtotal</i> | <i>251,700,914</i> | <i>146,452,246</i> | <i>398,153,161</i> |
| OTHER COMMUNITY BENEFITS | | | |
| Other CB Grants/Expense | 3,076,975 | 2,038,871 | 5,115,846 |
| United Way | 89,471 | 201,550 | 291,021 |
| <i>Subtotal</i> | <i>3,166,446</i> | <i>2,240,421</i> | <i>5,406,867</i> |
| TOTAL | \$259,900,482 | \$224,931,811 | \$484,832,293 |

2002 COMMUNITY BENEFIT INVESTMENT IN CALIFORNIA AND HAWAII

| CB PRIORITY AREAS | REGION HEALTH PLAN TOTAL | REGION KFH TOTAL | REGION CB TOTAL |
|---------------------------------|--------------------------------|----------------------|----------------------|
| EDUCATION | | | |
| Health Professionals | \$0 | \$45,873,582 | \$45,873,582 |
| Consumers | 200,724 | 5,263,598 | 5,464,322 |
| <i>Subtotal</i> | <i>200,724</i> | <i>51,137,180</i> | <i>51,337,904</i> |
| EVIDENCE-BASE | | | |
| Research | 0 | 10,699,139 | 10,699,139 |
| Medical Libraries | 0 | 5,083,535 | 5,083,535 |
| Tumor Board & Cancer Registry | 0 | 2,907,448 | 2,907,448 |
| <i>Subtotal</i> | <i>0</i> | <i>18,690,122</i> | <i>18,690,122</i> |
| PUBLIC POLICY | | | |
| Public Policy Grants | 0 | 834,289 | 834,289 |
| <i>Subtotal</i> | <i>0</i> | <i>834,289</i> | <i>834,289</i> |
| VULNERABLE POPULATIONS | | | |
| Medical Care Services | 197,462,746 | 137,117,966 | 334,580,712 |
| Community-Based Programs | 0 | 6,448,232 | 6,448,232 |
| Other Vulnerable Populations | | 975,351 | 975,351 |
| <i>Subtotal</i> | <i>197,462,746</i> | <i>144,541,548</i> | <i>342,004,294</i> |
| OTHER COMMUNITY BENEFITS | | | |
| Other CB Grants/Expense | 2,094,798 | 1,895,921 | 3,990,719 |
| United Way | 0 | 154,969 | 154,969 |
| <i>Subtotal</i> | <i>2,094,798</i> | <i>2,050,890</i> | <i>4,145,688</i> |
| TOTAL | \$199,758,268 | \$217,254,029 | \$417,012,298 |

Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

► File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only Part I and check this box ☒
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only Part II (on page 2 of this form)
- Note.** Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I Automatic 3-Month Extension of Time — Only submit original (no copies needed)
Note: Form 990-T corporations requesting an automatic 6-month extension — check this box and complete Part I only ☐
All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns
Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

| | | |
|--|--|---|
| Type or print File by the due date for filing your 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 PO box, see instructions ONE KAISER PLAZA, SUITE 1550 | |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions OAKLAND CA 94612 | |

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

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- 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) NA. 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 will cover

- 1 I request an automatic 3-month (6-month, for 990-T corporation) extension of time until AUGUST 15, 20 03, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
- ☒ calendar year 20 02 or
- ☐ tax year beginning _____, 20 _____, and ending _____, 20 _____

- 2 If this tax year is for less than 12 months, check reason ☐ Initial return ☐ Final return ☐ Change in accounting period

- 3a 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 \$ 0
- b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____
- c **Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ 0.00

Signature and Verification

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

Signature ► Deborah S. Siskin Title ► VICE PRESIDENT/CONTROLLER Date ► 05/12/2003

For Paperwork Reduction Act Notice, see Instruction

Form **8868** (12-2000)

• 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 | Name of Exempt Organization KAISER FOUNDATION HEALTH PLAN, INC. | Employer identification number 94-1340523 |
| File by the extended due date for filing the return. See instructions | 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 03
 5 For calendar year 2002, 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 AN AFFILIATED GROUP COMPRISING A NATIONAL MANAGED HEALTH CARE DELIVERY PROGRAM. IT MUST DEFER RETURN FILING UNTIL DATA FOR EACH MEMBER'S 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 \$ NONE
 c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ 0.00

Signature and Verification

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

Signature Deborah Steiner Title VICE PRESIDENT/CONTROLLER Date 08/7/2003

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 _____

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) |