



## **NEWS RELEASE**

**For Immediate Release** – June 24, 2008

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### **Commissioner of Insurance and Kaiser Permanente Enter Agreement to Provide \$155 Million for Colorado Consumers**

DENVER – Today, Governor Ritter announced an agreement by Commissioner of Insurance Marcy Morrison and Kaiser Permanente Colorado President Donna Lynne, pursuant to which Kaiser Permanente Colorado will provide \$155 million in Colorado financial relief over the next two years, as well as taking two other steps that will also benefit Colorado consumers.

The financial relief will be in the form of premium credits or enhanced benefits to employers and individual customers of Kaiser Permanente Colorado. Kaiser Permanente Colorado has also agreed that a portion of this relief will be dedicated to the expansion of its Medical Financial Assistance Fund by \$5 million during the same period to support the health care needs of lower income Kaiser Permanente members in Colorado.

The \$155 million in financial relief will be applied to individual and employer consumers who purchase health care coverage from the Kaiser Foundation Health Plan of Colorado. The relief will amount to \$77.5 million per year in both 2009 and 2010. This \$155 million will be distributed in the following ways:

- A one-time average credit of \$287 will be applied for each individual subscriber of Kaiser Permanente Individual and Family Plans in both 2009 and 2010.
- Employers will receive a one-time average credit of \$287 for each enrolled employee in both 2009 and 2010. Employers will have the option to retain the premium credit themselves, pass it along to their employees, or enhance benefits.
- Kaiser Permanente's Medical Financial Assistance Program will be expanded by an additional \$2.5 million per year in 2009 and 2010 to provide co-pay or cost-sharing assistance, based on financial need.

Second, Kaiser Permanente Colorado will continue its expansion bringing its integrated health care delivery system to more Colorado communities. “In the past four years, Kaiser Permanente Colorado has built three new medical office buildings and expanded the number of hospitals available to serve Kaiser Permanente members,” stated Donna

Lynne. “In January 2009, Kaiser Permanente Colorado will expand its services into Southern Colorado, and by the end of 2009, it will add two new medical office buildings as well as several more by 2012,” Donna Lynne added.

In addition to the above steps, Kaiser Permanente Colorado will maintain appropriate reserves by increasing investments held in its own accounts and reducing the balance held by its California affiliate.

The agreement with Kaiser Permanente Colorado originated from the April 2007 Division of Insurance’s Financial Examination, covering Kaiser Permanente Colorado’s 2001-2005 financial statements. At the time, Commissioner Morrison was concerned about Kaiser Permanente Colorado’s increasing net worth reaching several hundred million dollars, and directed the Division and Kaiser Permanente to begin discussions that ultimately led to this agreement.

Governor Ritter applauded Commissioner Marcy Morrison and Kaiser Permanente Colorado President Donna Lynne for their diligent work in reaching this historic agreement. “Kaiser Permanente is an important provider of health care services in our state. I am pleased that we were able to work together to develop this approach that will benefit thousands of Coloradoans.”

Commissioner Morrison added, “I am pleased with our agreement, and I look forward to Kaiser Permanente Colorado expanding health care services to support Colorado.”

Kaiser Permanente Colorado, an integrated health care delivery system, provides health care services and benefit coverage for more than 480,000 members in Denver, Boulder and Colorado Springs.

The Division of Insurance of the Colorado Department of Regulatory Agencies monitors the financial health and solvency of all insurance companies in Colorado so that when consumers need insurance most, such as during a catastrophic injury or illness, they can count on it being available.

“This type of benefit to consumers is core to our mission of consumer protection,” said Rico Munn, Executive Director of the Colorado Department of Regulatory Agencies.

To view the agreement, visit the Division of Insurance’s website at the following address: <http://www.dora.state.co.us/insurance/pr/pr.htm>.

*DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.*

*Kaiser Permanente exists to provide high-quality, affordable health care services to improve the health of our members and the communities we serve.*

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## AGREEMENT

This Agreement is entered into between the Colorado Division of Insurance ("Division") and Kaiser Foundation Health Plan of Colorado ("KFHP") (collectively, the "Parties").

### RECITALS

WHEREAS the mission of the Division is consumer protection;

WHEREAS the Division protects consumers by reviewing the financial status and solvency of all Colorado domestic entities supplying health care insurance to the citizens of Colorado; and

WHEREAS after the Division identified an increasing positive financial position of KFHP, discussion ensued between the Division and KFHP as to how KFHP could utilize its financial assets to accomplish its mission of serving its members while fulfilling its mission as a not-for-profit company;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants described herein and for other good and valuable consideration, the receipt and sufficiency of which are considered to be adequate, the Parties agree as follows:

1. KFHP will provide financial relief or benefit enhancements totaling \$150 million to its groups and subscribers. KFHP will spend \$75 million in 2009 and \$75 million in 2010, as follows:
  - a. KFHP will provide financial relief to its Individual and Family subscribers and Employer Groups, including the Federal Employee Health Benefits Program ("FEHBP"), at an estimated cost of \$61 million per year in 2009 and 2010. For Individual and Family subscribers and Employer Groups other than FEHBP, KFHP will provide financial relief in the form of premium credits and will develop a mechanism, reviewed by the Division, by which premium credits are equitably distributed. The average annual premium credit will be \$287.00 per subscriber. Employer Groups may decide how to distribute those credits, if at all, to their employees. For FEHBP, subject to applicable regulatory requirements and approvals, KFHP will endeavor to provide financial relief to its subscribers at a cost that is comparable to other employer groups, adjusted for subscriber size.
  - b. Subject to applicable regulatory requirements and approvals, KFHP will endeavor to increase its benefits to Medicare beneficiaries for 2009 and 2010, at an estimated cost of \$14 million per year in 2009 and 2010.
2. KFHP will expand its existing Medical Financial Assistance program to provide financial support for lower income members by an additional \$2.5 million per year in 2009 and 2010.

3. Beginning on June 30, 2008, and lasting through December 31, 2010, KFHP will provide quarterly reports to the Division substantiating to the Division the steps it is taking to carry out the terms of this Agreement.

4. Should KFHP fail to adhere to the terms of this Agreement the Division expressly reserves the right to pursue any and all legal remedies available to it.

5. The Parties agree to cooperate with one another in coordinating the distribution of information concerning the Agreement to the public.

6. In the event that any one or more of the provisions of this Agreement shall for any reason be held to be invalid, or unenforceable, the remaining provisions of this Agreement shall not be affected thereby.

7. This Agreement is intended solely for the mutual benefit of the Parties hereto, and there is no intention, express or otherwise, to create any rights or interests for any Party or person other than the Parties.

8. This Agreement may be executed in one or more counterparts, all of which shall, in the aggregate, be considered one and the same instrument. Facsimile or electronically imaged signatures shall be treated as original signatures and shall be effective to bind the Parties.

ACCEPTED AND AGREED TO THIS 28 DAY OF April 28, 2008

BY AND BETWEEN:

Kaiser Foundation Health Plan of Colorado



Donna Lynne, DrPH President, Kaiser Foundation Health Plan of Colorado

--AND--

Colorado Division of Insurance



Marcy Morrison, Commissioner, Colorado Division of Insurance