

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS  
SERVICES

In the Matter of the Proposed Merger of Kaiser	)	Order of Exemption
Permanente Health Alternatives dba KPHA Health	)	
Plans into Kaiser Foundation Health Plan of the	)	
Northwest	)	Case No. INS 07-11-001

**INTRODUCTION**

By letter dated August 21, 2007, Kaiser Permanente Health Alternatives, dba KPHA Health Plans ("KPHA"), filed a request for exemption from the provisions of Oregon Revised Statutes ("ORS") 732.521(1) pursuant to ORS 732.521(2) with regard to the merger of KPHA into Kaiser Foundation Health of the Northwest ("KFHPNW").

KPHA is a non-profit public benefit corporation authorized under ORS chapter 750 to transact health insurance business in Oregon as a health care service contractor since June 16, 1999.

KFHPNW is a non-profit public benefit corporation authorized under ORS chapter 750 to transact health insurance business in Oregon as a health care service contractor since December 30, 1981.

Both KPHA and KFHPNW are authorized to transact insurance in the State of Washington.

Kaiser Foundation Health Plan, Inc., a California non-profit public benefit corporation, ("Parent Company") is the sole member of both KPHA and KFHPNW. The Parent Company does not issue stock and no individual or entity has any interest therein. The Board of Directors for the Parent Company and KFHPNW are comprised of the same individuals.

## FACTS PROVIDED

Under the proposed merger, KPHA will be merged with and into KFHPNW and KPHA will cease to exist. The merger will be effective at 12:01 A.M. on December 1, 2007. KFHPNW shall be the surviving corporation. The separate corporate existence of KFHPNW with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the merger. KFHPNW will succeed to all the properties and assets of KPHA and to all policyholder obligations, debts, causes of action and other interests due or belonging to KPHA. KFHPNW will be subject to, and responsible for, all the debts, liabilities and duties of KPHA as provided by applicable state law. The officers and directors of KFHPNW will not change as a result of the merger.

KPHA has represented that the purpose of the Proposal is for the group to perform more efficiently as keeping KPHA creates unnecessary expense and administrative burden.

The boards of directors of KPHA and KFHPNW have represented that the proposed merger is in the best interest of each corporation and have approved the merger.

KPHA informed its subscribers of the proposed merger in a letter mailed on October 9, 2007. The letter communicated the merger will not change benefits, premiums, terms, conditions, or any services that subscribers receive. After the merger is effective, each subscriber will receive a document that will notify them that the merger has occurred and that references of KPHA in their evidence of coverage shall now refer to KFHPNW. No action on the subscriber's part will be required. Subscribers may continue to use their KPHA identification cards until they are replaced with KFHPNW cards.

The merger does not effect a change of control within the holding company system. Parent Company will still remain the ultimate controlling person in the holding company system.

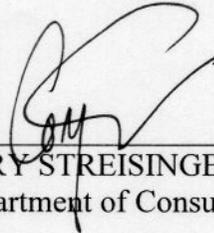
### CONCLUSION OF LAW

The contemplated Proposal will not have the effect of changing or influencing the control or ownership of a domestic insurer or is not otherwise comprehended within the purpose of ORS 732.521(1). The Proposal thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2).

### ORDER

Based on the foregoing facts provided and conclusion of law, it is hereby ordered that the proposal to merge Kaiser Permanente Health Alternatives dba KPHA Health Plans into Kaiser Foundation Health Plan of the Northwest submitted by Kaiser Permanente Health Alternatives dba KPHA Health Plans is exempt from the provisions of ORS 732.521(1).

Issued this 16<sup>th</sup> day of November 2007.



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CORY STREISINGER, Director  
Department of Consumer and Business Services