
Nov 7, 2007 16:25 ET

Kaiser Foundation Health Plan Earnings Support Investments in Member and Community Health

OAKLAND, Calif., Nov. 7 /PRNewswire/ -- Kaiser Foundation Health Plan Inc., Kaiser Foundation Hospitals and their subsidiaries (KFHP/H) reported total operating revenue for the third quarter ending September 30, 2007, of \$9.4 billion, as compared to \$8.7 billion in the same period last year.

KFHP/H's operating income for the third quarter was \$449 million, as compared with \$355 million during the same period of 2006. Ongoing efforts to address health care delivery costs and administrative efficiencies have contributed to these results.

In addition to operating income, non-operating income increased to \$205 million during the third quarter of 2007, compared to \$62 million in the third quarter of 2006. This improvement is directly attributable to strong performance in the financial markets, contributing to strong returns on investments in 2007. However, the credit and equity markets remain volatile and past performance is not an indicator of future performance. This resulted in net income for the third quarter 2007 of \$654 million, as compared with \$417 million in the third quarter of 2006.

Capital spending totaled \$641 million for the third quarter of 2007, as compared to \$631 million in the third quarter of 2006. Year-to-date capital spending for the nine months ended September 30, 2007 was \$1.8 billion, compared to \$1.9 billion spent during the same nine-month period of 2006.

According to KFHP/H Executive Vice President and Chief Financial Officer Kathy Lancaster, the organization's performance will allow continued investment in facilities and technologies needed to serve current members and to expand into contiguous areas. It will also support reduction in the rate of premium increases. "Our third quarter operating results reinforce that we are continuing to gain traction on efforts to improve expense trends, which will help us to meet our goal of reducing the rate of increase in premiums," she said.

Operating revenue for the nine months ending September 30 was \$28.2 billion, as compared with \$25.8 billion for the nine months ended September 30, 2006. Year-to-date operating income was \$1.8 billion, compared with \$868 million during the same nine-month period in 2006. Year-to-date 2007 non-operating income was \$630 million, compared with \$269 million earned during the first nine months of 2006. Year-to-date net income was \$2.5 billion, compared with \$1.1 billion for the same nine-month period in 2006. As reflected in the organization's second quarter 2007 earnings release, net income was favorably impacted by a \$356 million reduction in reserves for professional liability and worker's compensation. **Membership remained relatively flat at 8.7 million members.**

As an integrated care delivery model, KFHP/H's earnings support many important investments across the organization designed to enhance the quality of service provided to our members, including maintenance and expansion of our hospitals and facilities, ongoing development of leading-edge technology and increased benefits to the communities we serve.

KFHP/H's long-term investment strategy calls for the completion of about 25 major hospital projects between 2007 and 2015. The building program reflects the organization's continued commitment to expand to contiguous areas and to meet the needs of the growing numbers of members who have migrated to surrounding communities. It also reflects KFHP/H's dedication to providing current and future members with leading-edge medical and health care technologies, while investing to meet the required California seismic upgrades. During the year, KFHP/H has completed several major projects, including opening a new hospital in Santa Clara, California, and the Antioch Medical Center, which opens today.

The organization continues to invest in technology to improve quality, service and patient safety through its electronic health record, KP HealthConnect, and its market-leading personal health record, My health

manager. The largest civilian electronic health record project in the United States, KP HealthConnect now supports 6.5 million of its 8.7 million members with ambulatory/outpatient electronic medical records. Currently, the system enables more than 275,000 secure online messages a month sent between Kaiser Permanente patients, doctors and clinicians.

"We are investing in KP HealthConnect because we realize that the information needs of caregivers are changing at a phenomenal pace," said KFHP/H Chairman and Chief Executive Officer George Halvorson. "KP HealthConnect will not only give us the best healthcare database in the world, it also will give us the capacity to collect extensive data to meet our caregivers' information needs so that they can serve patients better."

As a not-for-profit organization, KFHP/H's revenues fund numerous community benefit programs, which provide direct health care coverage for uninsured families, community-based health partnerships and research and collaboration with community health organizations. One such example is the organization's long-standing support for the safety net -- institutions that provide care to the underserved and uninsured in our communities. Over the past year, KFHP/H has been instrumental in providing low-income, uninsured patients suffering from diabetes with the proper medications designed to prevent related heart attacks and strokes. In 2006, the organization spent \$807 million on community benefits.

As he has emphasized in the past, Halvorson added, "The people of Kaiser Permanente are here to make lives better. Our integrated care delivery system can achieve success through the commitment of our physicians, nurses, caregivers, and all of our employees who work together to serve our customers, members and communities."

Except for historical information contained herein, the matters discussed in this media release are forward-looking statements that involve risks and uncertainties. Actual results may vary significantly based on a number of factors including, but not limited to: the impact of competitive products and pricing; government regulations; health care legislation; changing membership requirements, and the change in economic conditions of the various markets the organization serves.

About Kaiser Permanente

Kaiser Permanente is America's leading integrated health plan. Founded in 1945, it is a not-for-profit; group practice prepayment program headquartered in Oakland, Calif. Kaiser Permanente serves the health care needs of more than 8.7 million members in nine states and the District of Columbia. Today it encompasses the not-for-profit Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals and their subsidiaries, and the for-profit Permanente Medical Groups. Nationwide, Kaiser Permanente includes approximately 156,000 technical, administrative and clerical employees and caregivers, and more than 13,000 physicians representing all specialties. For more Kaiser Permanente news, visit the KP News Center at:

<http://xnet.kp.org/newscenter>.

<http://www.kaiserpermanente.org/>

First Call Analyst:

FCMN Contact:

Source: Kaiser Foundation Health Plan Inc.

CONTACT: Sybil Kelly-Wartenberg of Kaiser Permanente, +1-510-271-6902,
Sybil.Kelly-Wartenberg@kp.org

Web site: <http://www.kaiserpermanente.org/>
