

**EXECUTIVE SUMMARY  
TO FORM A FILING OF  
KAISER FOUNDATION HEALTH PLAN OF WASHINGTON**

This document serves as an executive summary to the Form A filing by Kaiser Foundation Health Plan of Washington regarding its proposed acquisition of control of Group Health Cooperative and its subsidiaries (the “Proposed Transaction”).

**1. Identity of Parties**

Kaiser Foundation Health Plan of Washington (“KFHPW” or “Applicant”) is a Washington non-profit corporation that currently has no operations. The Applicant’s parent organization, Kaiser Foundation Health Plan, Inc. (“KFHP”), is a California non-profit public benefit corporation and health care services plan that was founded in 1945. Together with Kaiser Foundation Hospitals, a California non-profit public benefit corporation, and the independent and exclusively contracted Permanente Medical Groups, KFHP and its subsidiary health plan entities operate what is known as the “Kaiser Permanente Medical Care Program” (or together “Kaiser Permanente”). Kaiser Permanente is the nation’s leading integrated health care delivery system with over 10 million members enrolled in its commercial, Medicare, and Medicaid lines of business. Kaiser Permanente owns and directly operates 38 hospitals, 621 clinics and outpatient facilities, and the Permanente Medical Groups employ approximately 18,000 physicians.

The domestic health insurer to which this application relates is Group Health Cooperative (“GHC”), a Washington non-profit corporation and registered health maintenance organization that was founded in 1945. Together with the independent and exclusively contracted Group Health Permanente, P.C., GHC and its subsidiary health plan entity operate what is known as the “Group Health Medical Care Program” (or together “Group Health”). Group Health currently serves almost 600,000 residents of Washington and Northern Idaho.

**2. Summary of the Proposed Transaction**

Subject to the satisfaction of certain conditions to closing, including approval by the various individual voting GHC members (“Voting Members”) and the Washington Office of the Insurance Commissioner, Applicant proposes to become the sole corporate member of GHC and thereby acquire control over GHC and its subsidiaries. Applicant will pay transaction consideration in the amount of \$1.8 billion to Group Health Community Foundation (“GHCF”), a newly formed Washington non-profit corporation. This Proposed Transaction will be funded from within Kaiser Permanente with no external financing.

**3. Business and Operational Plans**

Applicant and GHC share the belief that the integrated care and coverage model delivers superior quality, service, access, and affordability.

Applicant has no current plans to declare any extraordinary dividend, liquidate GHC or any of its subsidiaries, sell GHC’s or any of its subsidiary’s assets outside the ordinary course of business, or merge GHC or any of its subsidiaries with any third party. Applicant also has no current intention to make material changes in the business operations, corporate structure or

management of GHC, except as specifically discussed in this Form A or as may arise in the ordinary course of business.

#### **4. Commitment to Community Investment**

In addition to the transaction consideration paid to GHCF, Applicant and its affiliates will spend an aggregate amount of \$1 billion in GHC and its subsidiaries during the first 10 years following closing of the Proposed Transaction for capital improvements and key investments in infrastructure and other improvements to help ensure the success of GHC's charitable mission and continued provision of high quality health care. Applicant will also continue to operate GHC as a charitable organization, and related to that expects to make \$800 million in community benefit investments in GHC's service areas over this same 10 year period.

#### **5. Commitment to Community Involvement**

The active role that GHC Voting Members play in the operations of Group Health is part of what makes GHC such a strong community asset. While as part of the Proposed Transaction GHC Voting Members will lose their member voting rights with respect to GHC, this important involvement by and input from GHC members will continue in several respects after the closing. First, Applicant will at closing appoint a board of directors for GHC that contains no less than one-third GHC enrolled participants or consumers who are substantially representative of the enrolled population of GHC. Second, Applicant will adopt corporate bylaws at closing that require the creation of a Consumer Advisory Committee of at least 25 people to provide GHC's members with a meaningful opportunity to participate in matters of policy and operation, to promote the effective use of health care services within the organization, and to suggest ways that the organization can better serve its members and the community as a whole. Third, Applicant will continue to recognize and engage with special interest groups formed by GHC members, including the group known as the "*GHC Senior Caucus*".

#### **6. Benefits for Washington Consumers**

The Proposed Transaction will yield significant benefits for Washington consumers. It will facilitate strategic investments in technology, facilities, and providers that will, in turn, enhance Group Health's ability to deliver high-quality, affordable health care and coverage through its integrated delivery system. From an operations and cultural perspective, Applicant and GHC are highly compatible. Each of these organizations links care delivery and insurance to offer affordable, high-quality health care services using the same integrated and dedicated group practice model. The Proposed Transaction will also preserve the charitable non-profit mission of GHC and endow a new community benefit fund, GHCF, with \$1.8 billion in assets. The combination of Kaiser Permanente and Group Health will ensure that the integrated delivery model that Group Health offers today will not only remain available in Washington, but that it will have the resources to expand and thrive into the future.