

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of:)
)
The Form A and Form E Applications)
for the Proposed Acquisition of)
Control of:)
)
GROUP HEALTH COOPERATIVE and) Docket No. 16-0050
GROUP HEALTH OPTIONS, INC.,)
)
By)
)
KAISER FOUNDATION HEALTH PLAN OF)
WASHINGTON)

PUBLIC HEARING

June 29, 2016

Best Western Executive Inn
200 Taylor Avenue North
Seattle, Washington

Taken Before:

Lori L. Stefano, CCR #2373, CCR, CSR, RPR
Certified Court Reporter
of
Capitol Pacific Reporting, Inc.
2401 Bristol Court S.W.
Suite A-104
Olympia, WA 98502
Tel (360) 352-2054 Fax (360) 705-6539
Toll Free (800) 407-0148

Tacoma, WA Seattle, WA Aberdeen, WA
(253) 564-8494 (206) 622-9919 (360) 532-7445
Chehalis, WA Bremerton, WA
(360) 330-0262 (360) 373-9032

www.capitolpacificreporting.com
admin@capitolpacificreporting.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

FOR OIC: INSURANCE COMMISSIONER MIKE KREIDLER
WASHINGTON STATE OFFICE OF THE INSURANCE
COMMISSIONER
5000 CAPITOL BOULEVARD SE
OLYMPIA, WA 98512
PHONE: 800-562-6900

SPEAKERS: MS. DIANA BIRKETT RAKOW
MS. DEB CUNNINGHAM
MS. CARLYE TEEL
MS. CARMEN SUAZO
MS. SUSAN CASEY
MR. DON GLICKSTEIN
MS. SUE BYINGTON
MR. RICHARD SCHROCK
MS. DENICE BISCHOFBERGER
MS. MARIA ALIZA
MS. DIANE SOSNE
MR. DOUG CONRAD
MS. JOANNE DONOHUE
MR. DAVID THOMPSON
MR. ED EWING
MR. BRYAN RIVERA
MS. JANET VARON

ALSO SPEAKING: MS. LONNIE JOHNS-BROWN

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

(Wednesday, June 29, 2016, 6:08 P.M.)

INSURANCE COMMISSIONER KREIDLER: Good evening. My name is Mike Kreidler, and I'm the Washington State Insurance Commissioner. And I want to welcome you here tonight to this forum.

I have a prepared statement that the attorneys have put together for me. So I'm going to read it because it will be part of the record. And I apologize for that. I usually don't do that.

The date is June 29th, 2016. And the time is now 6:00 P.M. This public forum is taking place at the Best Western Executive Inn in Seattle, Washington.

The purpose of the forum is to accept public comment on the proposed acquisition of the Group Health Cooperative by Kaiser Foundation Health Plan.

The court reporter is going to record the comments made tonight. We will also accept written comment. And those contact addresses for us are there at the front desk. All comments will be part of the public record for consideration regarding a final decision that will be made about this proposal.

If you would like to comment, please sign in, if

1 you haven't already, on the sheets provided. We will
2 call upon you in the order in which people have signed
3 in except for the first two people, having a
4 representative from Group Health and from Kaiser to
5 lead off.

6 My review of the proposed acquisition is governed
7 by state laws, RCW 48.31B.015 and RCW 048.31B.020.

8 The review includes looking closely at how the
9 proposed acquisition could affect the overall stability
10 of our health insurance marketplace in Washington
11 State. This includes competition and consumer choice.

12 There are two phases to this review.

13 The first, specialized staff, including
14 accountants, lawyers, and financial examiners, will
15 thoroughly review the application and make their
16 recommendation.

17 Next, I will hold an official public hearing on
18 the evidence, including staff recommendations, and
19 issue an order either approving or denying the
20 acquisition.

21 The official public hearing and the final decision
22 in this matter are likely to be issued later this year.

23 Today's forum is only to accept public comment. I
24 will not comment on any of the statements that are made
25 or discuss the merits of the proposed acquisition.

1 I would also like to remind you that you may send
2 comments, as I've pointed out, to my office
3 electronically or by regular mail. And as I said, the
4 address information is displayed at the front desk.

5 This forum is now open for comments.

6 I respectfully request that you keep your comments
7 to no longer than two minutes. And as you speak,
8 Lonnie, here in the front, will be flashing cards for
9 you to make sure that you know when the time limit is
10 going to expire.

11 As a part of this process, I'm going to ask all
12 individuals who wish to testify to raise their right
13 hand and be sworn in right now as part of the official
14 record. So I would ask all of you who wish to testify
15 to raise your right hand.

16 And do you solemnly swear or affirm, under the
17 penalties of perjury, that you will tell the truth?

18 THE SPEAKERS: Yes.

19 INSURANCE COMMISSIONER KREIDLER: Anybody
20 disagree?

21 No. Okay.

22 I'm going to start now calling on the individuals
23 here, as we have in order, except for the one
24 exception.

25 And I'm going to start with Group Health and ask

1 Diana Birkett Rakow to come forward, please.

2 MS. BIRKETT RAKOW: Thank you, Commissioner
3 Kreidler. And thank you for convening this opportunity
4 to hear from members of the community about the
5 proposed acquisition of Group Health by Kaiser
6 Permanente.

7 My name is Diana Birkett Rakow, as you said, and
8 I'm from Seattle. I have worked at Group Health
9 10 years next month. And I currently serve as a member
10 of the Executive Leadership Team. I'm also a member
11 and a patient of Group Health for those 10 years. My
12 husband and I have both had surgeries at Group Health.
13 And we gave birth to our son with the help of many of
14 Group Health's great care teams.

15 I moved to Seattle 10 years ago, actually, in
16 fact, because of a personal mission to improve health
17 care for individuals, for families, and for
18 communities.

19 And I came specifically to work for an
20 organization that I really admired, one that's worked
21 tirelessly for decades to improve health care for the
22 communities across Washington State. And that
23 organization is Group Health.

24 And I really support the acquisition of Group
25 Health by Kaiser Permanente because this step, which I

1 know is so carefully considered by our Board, will
2 allow our approach to integrated care to continue and
3 be preserved, for years to come, as a strong and
4 thriving option for consumers in Washington State.

5 Given enrollment trends, given competition
6 intensely from large national companies, given the
7 increase in drug costs and medical costs, Group Health
8 has realized that joining Kaiser Permanente is the best
9 way to make sure that we can preserve our values and
10 our approach to care while keeping prices more
11 affordable for our consumers.

12 The transaction is designed so that our unique
13 insurance product and approach to care will continue to
14 be available for local consumers and yet also be
15 strengthened by investment in clinics, in tools and
16 technology, to support consumers in making good
17 decisions about their health and to enhance their
18 experience.

19 We will also increase our investment in community
20 benefit, which is very important to the mission and
21 business of both Group Health and Kaiser Permanente.

22 Our two organizations share a model of integrated
23 health care delivery. And we share a focus on putting
24 our patients and our members first, as our frontline
25 staff and also all our colleagues know so well.

1 And so, when sharing those values, we can ensure
2 that there will be great continuity of care, of
3 coverage, and of great caring relationships for our
4 members and our patients through this transition if the
5 transaction is to be approved.

6 And after closing, our patients and our members
7 will continue to be served by local care teams as well
8 as by local leadership and by a Board that will include
9 individuals representative of our membership and of the
10 communities across Washington State.

11 We'll also continue to listen to our members, in
12 part by creating a new Consumer Advisory Committee,
13 also by continuing the role of the Senior Caucus, which
14 offers input to Group Health today, and through many of
15 our strong local partnerships.

16 It's a unique opportunity for members and 'for the
17 community as a whole.

18 And I thank you for your thoughtful consideration
19 of the transaction.

20 INSURANCE COMMISSIONER KREIDLER: Thank you.

21 And then from Kaiser, Sue Byington.

22 MS. JOHNS-BROWN: No. I think it's Deb.

23 INSURANCE COMMISSIONER KREIDLER: Oh, excuse
24 me. Oh, you're right. They gave it to me . . .

25 Excuse me, Deb. Go ahead.

1 MS. CUNNINGHAM: Okay.

2 INSURANCE COMMISSIONER KREIDLER: It was
3 placed in front me and said, "And these are the two
4 names."

5 And I said, "Wait a minute. I was just talking
6 with Sue."

7 MS. CUNNINGHAM: Well, thank you.

8 INSURANCE COMMISSIONER KREIDLER: Thank you.

9 MS. CUNNINGHAM: I'm pleased to be here to
10 talk about the proposed acquisition of Group Health by
11 Kaiser Permanente.

12 My name is Deb Cunningham. And I'm here from
13 Kaiser.

14 Unfortunately, Susan Mullaney, who is leading the
15 integration and acquisition work for Kaiser Permanente,
16 couldn't be here this evening. She's actually with
17 family, out of the country, in a long-standing
18 commitment.

19 I'm here, and I'm on assignment full-time,
20 supporting Susan and the integration planning work
21 between Kaiser Permanente and Group Health. Our goal
22 is really a seamless transition so that Group Health
23 members get the same quality and services that they get
24 today tomorrow and well into the future.

25 My prior role with Kaiser Permanente was leading

1 strategy and business development for our Northern
2 California region. And I've been with Kaiser
3 Permanente for 23 years.

4 We are very excited by this opportunity to really
5 build on Group Health Cooperative's long and important
6 legacy that Diana noted. It's a wonderful platform for
7 Kaiser Permanente to really expand and demonstrate a
8 high-quality affordable approach to health care here in
9 the state of Washington.

10 Kaiser Permanente was founded in 1945. We draw
11 our roots to the preindustrial era and even have
12 connections to the Grand Coulee Dam project here in
13 Washington. And today we are one of America's leading
14 health care providers and integrated not-for-profit
15 health plans in the country.

16 Our mission is to provide high quality affordable
17 health care and to improve the health of our members
18 and the communities that we serve.

19 In 2016 we provide health care to more than
20 10.6 million members in eight states and Washington,
21 D.C. And with a total operating revenue of just over
22 \$60 billion in 2015, we're financially sound and well
23 positioned to take on this acquisition.

24 As Diana mentioned, our model is very similar to
25 Group Health's. We are a not-for-profit integrated

1 health care system that provides care and coverage
2 together. In fact, in some of our initial planning
3 conversations that we've had between the two
4 organizations, we will describe ourselves as siblings
5 or cousins separated at birth.

6 We believe this acquisition is good for members;
7 it's good for employees and purchasers; and it's good
8 for all of the consumers here in Washington.

9 By joining forces with Kaiser Permanente, Group
10 Health will best be able to tackle some of the emerging
11 issues that Diana noted in this really increasingly
12 competitive market, including things like the rising
13 cost of drugs, health IT, and really be able to make
14 investments in the future.

15 Kaiser Permanente is deeply committed to
16 affordability. It is part of our mission. And so not
17 only do we want our premiums to be competitive; we
18 actually believe we have a role in the industry to keep
19 health care affordable for everybody. And that
20 includes keeping healthy competition in all of our
21 markets.

22 The acquisition of Group Health by Kaiser
23 Permanente will really preserve choice for employers
24 and consumers here in the state.

25 I do want to emphasize that Kaiser Permanente

1 Washington will be run by strong and deeply experienced
2 local management who respect both the tradition and the
3 quality of care that Group Health has provided for
4 decades. They will be supported by a national
5 management team that has experience running the large
6 complex health care organizations but knows how to
7 leverage scale and size appropriately. And we know
8 that health care is really provided locally. This is
9 about people taking care of people.

10 We deeply respect and value our employees and
11 physicians. And we know that it's our doctors, our
12 nurses, our frontline staff who are really the ones
13 that make Kaiser Permanente a great place to get care.

14 And to make sure that our employees of Group
15 Health have a level peace of mind, we're committed to
16 honoring all of our union contracts in effect at
17 closing. We're going to maintain the total
18 compensation and benefits for all non-union staff for
19 at least nine months. And we'll honor all of the
20 existing incentive and severance and retention programs
21 for at least eighteen months.

22 Importantly, Kaiser Permanente is really going to
23 be investing in the community, as Diana said. Our
24 track record demonstrates that. In 2015, across our
25 entire organization, we invested over \$2 billion, which

1 is just about three and a half percent of our revenue,
2 in communities, really supporting programs for care and
3 coverage.

4 Kaiser Permanente is really making a long-term
5 investment in Washington. We intend to invest in the
6 delivery system, facilities, technology, and in people,
7 to ensure that we are here for years to come, serving
8 the needs of the people of Seattle and of Washington as
9 a whole.

10 Thank you very much.

11 INSURANCE COMMISSIONER KREIDLER: Thank you,
12 Sue. Deb. Excuse me. I have it right here.

13 Let's start off, then, with Carlye Teel.

14 And following Carlye Teel will be Carmen Suazo.

15 MS. TEEL: Thank you, Commissioner Kreidler.

16 I'm Carlye Teel. I was the Chair of the Senior
17 Caucus for the last four years. And I'm now the
18 Immediate Past Chair and on the Executive Committee.

19 When I heard about the acquisition, I was
20 surprised, but I was not shocked. And while I was
21 concerned, I was also relieved.

22 One concern was: How will this affect the Senior
23 Caucus? The answer: Kaiser Permanente will continue
24 to fully support the Senior Caucus as a respected and
25 consulted group.

1 The Senior Caucus engages, represents, and
2 advocates for the seniors' perspective in the region.
3 The Caucus has a long history of representing the
4 Medicare patients at Group Health, as well as all
5 consumers, to provide input on policy matters.

6 Another concern I had was the loss of control with
7 the acquisition of Group Health by Kaiser. I've
8 appreciated the governance structure and the consumer
9 involvement we've had.

10 The structure will change. And that is difficult.
11 But many of us have been actively involved and received
12 our care from Group Health for decades.

13 But the Senior Caucus believes that the proposed
14 acquisition by Kaiser is the best path forward.

15 There will be needed investments, over a billion
16 contributed by Kaiser to the Medical Center and
17 systems. Members will be able to keep their own
18 providers, getting quality care and having affordable
19 premiums.

20 Consumers will have a voice through representation
21 on the local regional Board, the Consumer Advisory
22 Committee, and the Senior Caucus.

23 Kaiser is passionately committed to the values of
24 patient-centered care and engaging consumer voices.

25 Now, why was I kind of relieved when I heard this?

1 Group Health has provided outstanding health care.
2 But we're losing market share. We've spent. We've
3 seen expert and valued staff be laid off. We had
4 serious concerns that Group Health would be able to
5 continue this model down the road.

6 So the Senior Caucus strongly endorses the
7 acquisition. And I urge you to approve the acquisition
8 of Group Health by Kaiser Permanente.

9 Thank you.

10 INSURANCE COMMISSIONER KREIDLER: Thank you,
11 Carlye.

12 Carmen? Carmen Suazo.

13 And then following Carmen Suazo will be Susan
14 Casey.

15 MS. SUAZO: Good evening. My name is Carmen
16 Suazo. And I'm a Registered Nurse, presently working
17 as a Case Manager at Group Health. I've worked for
18 Group Health Cooperative for 30-plus years in many
19 nursing roles. And I certainly appreciate the
20 opportunity to speak to the Kaiser acquisition of Group
21 Health Cooperative on behalf of my colleagues.

22 We've taken a supportive role in the acquisition.
23 And we have actively communicated, to our patients and
24 the voting members of Group Health, that they should
25 support the acquisition as well.

1 As has been said, Kaiser supports the same
2 coordinated, patient-centered model of care that Group
3 Health has perfected over the years.

4 As a nurse, I can see that the acquisition will
5 improve the facilities and services that we can provide
6 to our patients.

7 I speak today to now encourage the Office of the
8 Insurance Commissioner to approve the acquisition as
9 soon as possible. Consumers need clarity and
10 information. Many longtime Group Health Cooperative
11 members, who are watching this closely, need to know
12 that there is quality and stable health care that they
13 can depend on.

14 This is particularly true during open enrollment,
15 as consumers need to choose between plans, and
16 especially so for the State Employees and the State
17 that is so invested in a Group Health-Kaiser model of
18 value-based care.

19 As frontline staff and caregivers, we're excited
20 about the investment Kaiser intends to make in the
21 organization in order to improve the care we provide to
22 our patients.

23 But we also need clarity. We want to know that we
24 will have sufficient staff to provide excellent care to
25 our patients. We want to know our jobs and our

1 patients' care are going to be in good hands so we can
2 focus on what's important. We want to be able to work
3 to the fullest with our employer partner on the
4 big-picture needs of our patients and communities.

5 In closing, thank you for the opportunity to speak
6 to the prompt approval of the Kaiser acquisition of
7 Group Health Cooperative.

8 INSURANCE COMMISSIONER KREIDLER: Thank you.
9 And Susan? Susan Casey?

10 Following Susan Casey will be Don Glickstein.

11 MS. CASEY: Hi. I'm Susan Casey, have been a
12 Group Health member since 1984. And for 10 years, I've
13 been an active member of the Group Health Senior
14 Caucus.

15 In January the Senior Caucus endorsed the proposal
16 for Group Health to be acquired by Kaiser Permanente.
17 This is the only way to preserve the fundamentals of
18 Group Health and its philosophy of care. Both
19 organizations are true HMOs.

20 Because Kaiser Permanente is widespread across the
21 country, it is able to be offered by national
22 companies, something that Group Health is not able to
23 achieve because it is very local and only covers a
24 portion of Washington State.

25 Starbucks is an example. Understand it does not

1 offer Group Health as an option, even to its local
2 employees, because it only offers plans that are
3 available around much of the country.

4 Another plus will be the big increase in Medicaid
5 enrollees.

6 For the fundamentals of Group Health to survive,
7 Group Health must grow to be able to support the vast
8 infrastructure a modern health care system must
9 provide. And to do this, it must increase enrollment.

10 Hence the agreement to be acquired by Kaiser
11 Permanente makes so much sense. I urge you to
12 recommend and approve this acquisition.

13 Thank you.

14 INSURANCE COMMISSIONER KREIDLER: Thank you.
15 Don Glickstein.

16 And following Don, then we can get to the real Sue
17 Byington.

18 MR. GLICKSTEIN: My name is Don Glickstein,
19 and I'm only representing myself. No one told me to
20 show up today.

21 I've been a Group Health member for 34 years. And
22 I also worked for Group Health for 26 years, not
23 because it was a job but because it was a calling. I
24 was also a member for one year at Kaiser in Colorado.

25 And considering the sale and the disbanding of the

1 Cooperative, the OIC should ask four things related to
2 cost, quality, and consumer rights.

3 First, will the sale reduce competition, thereby
4 decreasing pressure to keep costs low?

5 Since Kaiser and Group Health don't compete right
6 now, the answer is that competition won't be reduced.
7 If anything, given Kaiser's greater resources and its
8 much better business systems, it will contribute to a
9 slowing of the rate of premium increases.

10 Two, will the sale reduce clinical quality?

11 I think it's fair to say that in many, if not
12 most, areas, Kaiser has better clinical quality than
13 Group Health. For example, Kaiser doesn't put up with
14 its Medical Center snack bars selling crap like the
15 pizza and pastry Group Health sells. That's a small
16 example, but it permeates throughout the system.

17 The third question: Will the sale diminish
18 consumers' ability to effect change?

19 Despite Kaiser's pledge to maintain the Senior
20 Caucus and create advisory groups, the answer is that,
21 yes, our ability to effect change will be diminished.

22 For example, any Group Health member can speak
23 before the Co-op's Board of Trustees. I know. I've
24 done it several times when I disagreed with some of
25 management's actions. I ask the OIC to require

1 Kaiser's regional governing board, the new one that
2 will govern what is now Group Health, to have and
3 publicize at least three public sessions a year at
4 which consumers can talk about policy issues or
5 management practices.

6 The last question: Does Group Health have another
7 long-term option so it can better compete against
8 for-profit insurance companies and pseudo nonprofits
9 like Premera?

10 It does have a better option. Or it has a
11 different option. It can enter into a deep alliance
12 with a Catholic health care system. But that would
13 have a terrible consequence. It would reduce the right
14 of members to get abortions, birth control, and death
15 with dignity. A purchase by the non-secular Kaiser
16 avoids that danger.

17 To summarize, I believe the advantages of the
18 purchase outweigh the disadvantages. And the OIC can
19 mitigate the major disadvantage by requiring more
20 channels that consumers can use so their voice is heard
21 directly by Kaiser management.

22 INSURANCE COMMISSIONER KREIDLER: Thank you.

23 Sue Byington.

24 And, Colleen Grant, I'm assuming that you want to
25 maybe hold - okay.

1 Then Richard Schrock after Sue.

2 MS. BYINGTON: Commissioner Kreidler, thank
3 you so much for having the opportunity to speak today.
4 I broke up with a little frog this morning. So if you
5 hear some of my voice breaking, that's it.

6 My name is Susan Byington. I'm a 44-year member
7 of Group Health. I mean, it's just like it's in my
8 blood. And I also am honored to currently serve as
9 Chair of the Board of Trustees.

10 I know Group Health as a long-term member, as a
11 trustee. But I also know Group Health because, in my
12 past lives, I was a purchaser for three major employers
13 of Group Health coverage for thousands of employees in
14 this state.

15 Commissioner, as you know, Group Health is a
16 relatively small insurance company in the marketplace.

17 But we're also unique. Group Health - as an
18 insurance company, we integrate the delivery and
19 financing of health care.

20 In 2014 and '15, the Board of Trustees conducted
21 an in-depth strategic assessment of the rapidly
22 changing health care marketplace and the challenges
23 facing health care but especially Group Health. What
24 were our strengths, our weaknesses, our opportunities,
25 and the risks facing us?

1 We knew we were well positioned to care for our
2 members now. But the future was far less certain.

3 As stewards, the Group Health trustees, I think as
4 you know, are elected by our members. So we really are
5 stewards for our members.

6 The Board, after extensive deliberations, made the
7 decision to explore the potential of a relationship
8 that would ensure, as others have said, that our
9 service delivery model would continue with certainty
10 into the future and be grounded in the mission and
11 values since our founding as a cooperative.

12 You know, these are just words. It was a very
13 emotional decision. It was a very difficult decision
14 for the trustees to make. But the interests of our
15 members were paramount.

16 The Board conducted a competitive process and
17 considered several options, including remaining
18 independent. After considering our options, the Board
19 unanimously determined that joining Kaiser Permanente
20 presented the best future for our system, our
21 membership, and the citizens of Washington State.

22 Kaiser is a nonprofit organization with similar
23 values. It's nationally recognized by Group Health for
24 its quality and evidence-based affordable care.

25 We are truly looking forward to our combined

1 future together.

2 Thank you.

3 INSURANCE COMMISSIONER KREIDLER: Thank you,
4 Sue.

5 Richard Schrock.

6 And following Richard Schrock will be Denise
7 Bischofberger.

8 MR. SCHROCK: Thank you, Commissioner.

9 My name is Richard Schrock. I'm an elected Fire
10 Commissioner up in Snohomish County, South Snohomish
11 County. I'm a former Director of the State Department
12 of Commerce.

13 I'm here tonight to really listen to what is said
14 by all of you to get some input.

15 I have two member of my immediate family who are
16 Group Health subscribers and covered through their
17 employer. And they're very happy with Group Health
18 coverage.

19 I have some concerns to express about the
20 acquisition proposal, but I'm not taking a position for
21 or against. I'm here to listen and learn.

22 I believe that really the public has very little
23 information on which to base any kind of an informed
24 opinion. Some of you who are with Group Health or with
25 Kaiser have perhaps informed opinions. But the public

1 really does not.

2 And one reason we don't is that the documents that
3 are part of this acquisition proposal - many of the
4 documents are not public. And that's because a law
5 passed last year, Senate Bill 5717, that the
6 Commissioner requested be passed, made things like
7 Form A and Form B private documents. Those are the
8 forms that are part of this application.

9 I think that was not in the public interest. And
10 I have some concerns about the proposal that can't be
11 answered really unless I had access to the documents or
12 others - the media, consumer advocates - had access to
13 those documents, Form A and Form B, that are part of
14 this proposal.

15 I would like to know, when the Commissioner makes
16 his ruling, exactly how continued access will be
17 available for affordable health care through this
18 proposal; what specific provisions of the current
19 Affordable Care Act will be complied with and how;
20 where the \$1.2 billion will be spent that is going to a
21 charitable foundation, how will that be disbursed in
22 the future; will this merger result in a narrowing of
23 physician networks?

24 That is extremely important to Group Health
25 members who need specialists who are on the in-network

1 provider list. Will that in-network provider list be
2 expanded or narrowed? That's a good question that
3 maybe we might find out if we had access to the actual
4 Form A or Form B plans.

5 Those are the questions I have. I hope to look at
6 what the Commissioner and his staff come up with and be
7 able to comment further.

8 Thank you.

9 INSURANCE COMMISSIONER KREIDLER: Thank you
10 for your comments.

11 And now moving to Denice Bischofberger.

12 Am I close on that?

13 MS. BISCHOFBERGER: Perfect.

14 INSURANCE COMMISSIONER KREIDLER: Oh. Must
15 be because it's German.

16 We're going to follow up Denice with Maria Aliza.

17 Please go ahead.

18 MS. BISCHOFBERGER: My name's Denice
19 Bischofberger. And I'm a nurse at Group Health. I've
20 worked there for 37 years. I've been a consumer of
21 Group Health for well over 50 years. I'm also a member
22 of the Executive Board of SEIU 1199 Northwest,
23 representing health care workers and employees at Group
24 Health.

25 And I'm here tonight to encourage the Office of

1 the Insurance Commissioner to approve the Kaiser
2 acquisition of Group Health as quickly as possible.

3 Over the last 37 years, I've seen a lot of changes
4 at Group Health. I've seen expansion of services.
5 I've seen hospitals built. I've seen clinics built,
6 facilities remodeled, and then I've seen them close.
7 And I've seen employees be hired as we had a lot of
8 enrollment growth. And then I've seen employees have
9 gone through a few --

10 MS. JOHNS-BROWN: I'm sorry to interrupt you.

11 There's been a request that the speakers speak
12 louder into the microphone.

13 MS. BISCHOFBERGER: Oh, I'm so sorry. Okay.

14 And have also participated in layoffs over the
15 years. In fact, I was laid off myself briefly.

16 Over the years, we've seen - most recently we've
17 seen a lot of changes in the health care field that's
18 drastically affected Group Health and, unfortunately,
19 limited our ability to expand.

20 I think that we've seen many other health care
21 companies coming into the state of Washington and
22 buying up and partnering with smaller facilities and
23 smaller health care groups.

24 And I think, of all of the people we could partner
25 with or groups that we could partner with, Kaiser is

1 the most aligned with our philosophies; our
2 evidence-based health care; and not-for-profit, high
3 standards of care. And we, quite frankly, need their
4 financial support to expand in Washington State and to
5 keep the facilities open to be able to preserve high
6 standards of care.

7 Thank you.

8 INSURANCE COMMISSIONER KREIDLER: Thank you
9 very much.

10 And next well have Maria - Aliza?

11 MS. ALIZA: I say (Pronouncing) Aliza.

12 INSURANCE COMMISSIONER KREIDLER: Aliza.

13 Okay.

14 And following you, we're going to ask Diane Sosne,
15 if she's here, to speak. Good. Great.

16 Please.

17 MS. ALIZA: Thank you.

18 I was not born at Group Health. My dad was in the
19 Navy. As soon as he got out, moved back to Seattle.
20 And I have been a member since I was six months old; so
21 it is over 50 years now. But my younger brother was
22 born here. Both my children, of course, were born here
23 with Group Health. And not only are my parents members
24 but also my grandparents on both sides.

25 So, as I think of my grandparents sitting in a

1 room something like this, in a very baby co-op back in
2 the fifties, it is very sad for me to see Group Health
3 go. It has really been my medical home in a way that
4 that term - before that term was coined, and is the
5 only medical provider that I have used. So very sad
6 for me.

7 But I also think that the acquisition by Kaiser is
8 not only the right thing but the only right thing, in
9 my opinion, that can be done right now.

10 I see how the market is consolidating. I know
11 that this local thing cannot survive without help. And
12 so, if I want my provider to be able to continue to
13 give me care in the way that she has become
14 accustomed - and she has been for these many years
15 now - she needs to be in a nonprofit organization, with
16 coordinated care, that integrates care, that
17 understands how the insurance supports the care of
18 patients, that has a kind of quality that she is used
19 to, providing care for my family.

20 So, if you even look at the Kaiser five-star
21 ratings for Medicare, even better than Group Health's,
22 which are already good.

23 So I don't see any other way that we can move
24 forward for my family, with the kind of care that we've
25 been used to my whole life, without being acquired by

1 Kaiser. So I encourage you to approve that.

2 INSURANCE COMMISSIONER KREIDLER: Thank you.

3 Diane Sosne.

4 And following Diane, it would be Doug Coond.

5 MS. SOSNE: Good evening, Commissioner
6 Kreidler. I'm Diane Sosne, Registered Nurse and
7 President of SEIU Health Care 1199 Northwest. Thank
8 you for this opportunity to testify tonight.

9 And I'm speaking from three perspectives.

10 First, we represent 2,000 RNs, professional and
11 service members, who not only work for Group Health
12 statewide but get their care there.

13 I'm also speaking tonight as the union
14 representing 3,000 State Employees; nurses;
15 professional/technical at Harborview and DSHS, DOH; and
16 several thousand other health care workers, at Public
17 District Hospitals, who get their insurance through the
18 PEBB.

19 And, finally, I'm a former Group Health nurse and
20 a 35-plus-year consumer and have enjoyed amazing care
21 and a continuity of care.

22 I'm speaking tonight in support of the Kaiser
23 acquisition of Group Health. And we've looked at this
24 extensively.

25 Under the Affordable Care Act and Washington

1 State's commitment to its residents, a health care
2 delivery system that does value-based health care; plan
3 design, both in terms of benefits and costs; and meets
4 the triple aim - better care for individuals, better
5 health care for populations, and lower costs - such as
6 Group Health, couldn't be better aligned than with the
7 Kaiser.

8 Group Health has been a pioneer in our state as an
9 HMO provider. And this extraordinary model of care is
10 what Kaiser is all about. There couldn't be a better
11 seamless-transition culture match than these two
12 systems. And then Kaiser, as you've heard, brings
13 enormous resources.

14 In terms of the process, as a union of frontline
15 care providers and consumers, we greatly appreciate and
16 value the role and the purview of the Office of
17 Insurance Commissioner in doing the due diligence in
18 researching and vetting this type of transaction.

19 We're glad you're here and with the leadership you
20 provide our state.

21 At the same time, the lengthy process is
22 critically important also.

23 Current Group Health consumers want to know right
24 away what is happening to their health plan system.
25 Uncertainty makes people very anxious. I'm a psych

1 nurse; so I feel like I can speak to that.

2 Second, consumers who are choosing a health plan
3 for themselves and their families - a lot of open
4 enrollments happen in the fall. And a lengthy process
5 would interfere with people's ability to make a truly
6 informed transparent choice.

7 A large example of this is with State Employees.
8 Out of the State's approximately 350,000 enrollees -
9 that includes actives, dependents, and retirees - Group
10 Health enrolls about 100,000. While open enrollment is
11 the month of November, materials get printed around
12 September. They get mailed in October. And there are
13 health fairs. And then there is the actual open
14 enrollment in November.

15 People want to know who they would be selecting as
16 their health care provider.

17 Finally, our 2,000 members and their families who
18 rely on Group Health statewide for their employment
19 want certainty on who their employer will be. Any
20 financial insecurity at this time is very troubling to
21 people.

22 Kaiser is the right choice for Group Health. And
23 we call on you, within the purview of doing the due
24 diligence and the financial and other regulatory
25 review, but to do it in an expedited manner so that the

1 citizens of Washington State can benefit by this
2 acquisition.

3 Thank you.

4 INSURANCE COMMISSIONER KREIDLER: Thank you.
5 Doug Coond?

6 MR. CONRAD: Is it by any chance my poor
7 penmanship that's --

8 INSURANCE COMMISSIONER KREIDLER: Well, it
9 looks like you didn't finish the letters.

10 You live on 71st?

11 MR. CONRAD: You bet.

12 INSURANCE COMMISSIONER KREIDLER: Sorry,
13 Doug.

14 MR. CONRAD: Well, I'll clear that up.

15 My name is Doug Conrad, and I'm here. And I do
16 live on 347 North 71st. That's the
17 Wallingford-Fremont-Phinney Ridge area.

18 I'm speaking here on behalf of myself. My
19 background is as a member of Group Health for the past
20 39 years, since 1977. I've been a student of Group
21 Health as an academic at the University of Washington,
22 where I'm currently Professor Emeritus of Health
23 Services. The "Emeritus" just got added recently.

24 I've also served on the Strategic Planning and
25 Finance Committee of Group Health for two years in the

1 past, when that was still constituted. And recently,
2 for about the last seven, eight years, I've served on
3 one of the leadership advisory groups for the Downtown
4 Medical Center, which is an example of consumer
5 involvement.

6 I'd like to make six points.

7 And I am in unambiguous support of this
8 acquisition. That's a change for me because, prior to
9 the earliest meeting back in January, I was thinking
10 real hard about the loss of a cooperative, not the loss
11 of an organization but the loss of a cooperative.

12 Here's why I've been turned around on that
13 substantially. I'm absolutely an enthusiastic advocate
14 for this.

15 In terms of the things that the Office of the
16 Insurance Commissioner by law is advised to look at,
17 including consumer choice and competition, I think this
18 acquisition is a plus on both scores.

19 I think it's very important to maintain a group
20 model HMO that integrates financing of care with
21 delivery of care. I think it is the true medical home.
22 It is the true unified accountable care organization
23 and has been so since 1945. I think it's important
24 that that be maintained as an option in addition to
25 providing competition. So that's point one, supportive

1 of consumer choice and competition.

2 Secondly, I think Kaiser and Group Health are a
3 great cultural and organizational fit. Group Health
4 Permanente was one of the early alliances between
5 Kaiser Permanente and Group Health.

6 Third, I think the infrastructure investment that
7 Kaiser is proposing to make, to the tune of, as I
8 understand it, \$1 billion, and the \$800 million, over
9 ten years in community benefit, both sustain the
10 investment structure - that's three - and, point four,
11 the community involvement.

12 Fifth, this Regional Advisory Board, as well as
13 the Consumer Advisory Committee, will, I think,
14 continue that consumer involvement.

15 And, finally, I think the main point that drives
16 me here, in support of this acquisition, is the idea
17 that, in fact, this unique integration of care delivery
18 and financing provides a very important option already
19 to 600,000 people in Washington and Northern Idaho.
20 And I think this has the prospect of growing that
21 model.

22 Kaiser's a great example of cost efficiency.
23 Group Health, in recent years, has been terrific on
24 quality and struggled with some aspects of cost. I
25 think Kaiser's going to bring a real skill set to that.

1 So I urge the Commission to, as it does its due
2 diligence, support and approve this. And I think it
3 will be for the betterment of our community. I feel
4 very good about it.

5 Thanks for the opportunity.

6 INSURANCE COMMISSIONER KREIDLER: Thank you,
7 Doug.

8 Joanne Donohue.

9 I should point out that Doug Conrad and I served
10 on the Health Benefit Exchange Board for several years.

11 MS. DONOHUE: Thank you for this opportunity
12 to speak about Kaiser Permanente's acquisition of Group
13 Health.

14 My name is Joanne Donohue. I'm the Vice President
15 of Community Development at Sound Generations, a
16 nonprofit serving older adults and those who care for
17 them.

18 Group Health has been a longtime supporter and
19 partner with Sound Generations. And our name formerly
20 was Senior Services, in case people know us in that
21 name. We now have a new name, Sound Generations.

22 And Group Health has been a great supporter in
23 caring for vulnerable adults as well as active older
24 adults. This has been demonstrated by partnership that
25 we have with them around evidence-based programs like

1 Enhanced Fitness, which is a group exercise class
2 specifically for older adults, and Self-Management of
3 Chronic Conditions, which is a workshop that helps
4 people manage chronic conditions, as its name implies.

5 And we also transport many Group Health patients,
6 who need assistance getting to their doctors'
7 appointments, through our Volunteer Transportation
8 Program and Hyde Shuttles.

9 So this relationship has been long. It's been
10 great. We also get our health care from them. And
11 I've been a proud member of Group Health for 16 years.
12 And I think the relationship with my organization goes
13 back about 20 in the health care arena.

14 We support Kaiser Permanente's acquisition of
15 Group Health. And we are excited about the opportunity
16 for collaborating with the new Kaiser Permanente of
17 Washington.

18 We believe there's a significant alignment around
19 the type of care that Kaiser strives to provide for
20 their patients and the quality services we provide to
21 our customers at the nonprofit.

22 We are particularly excited about our mutual
23 interest in moving the dial on the social determinants
24 of health because that's where a lot of nonprofits - at
25 least like ours - play.

1 We look forward to the national presence and
2 leadership Kaiser Permanente brings. But at the same
3 time, we are pleased to work with experienced local
4 leadership.

5 In closing, my organization strongly supports
6 Kaiser Permanente's acquisition of Group Health.

7 Thank you.

8 INSURANCE COMMISSIONER KREIDLER: Thank you.

9 Next would be David Thompson.

10 Following David Thompson with be Ed Ewing.

11 MR. THOMPSON: Good evening, Commissioner
12 Kreidler. My name is David Thompson. I'm the
13 President of the Twin Pines Cooperative Foundation. We
14 are a California-based organization with cooperatives
15 as our members in all of the states, including
16 Washington.

17 I'm also an inductee into the Cooperative Hall of
18 Fame, something that I share with Dr. Shadid, who is
19 the godfather of Group Health, and three other members
20 of the Group Health Cooperative.

21 I've never been a patient. I haven't been born or
22 anything like that. But I was a lender to Group Health
23 Cooperative when I helped to set up the National
24 Cooperative Bank. And we had a lot of help from Group
25 Health to do that.

1 I've flown up here from California today to speak
2 on behalf of Twin Pines and 40 other co-op leaders in
3 Washington State. We have concerns about how this all
4 might happen. But it comes back a little bit to the
5 history.

6 Group Health was born in a co-op camp - that we
7 still run - in California in 1945, when Dr. Shadid and
8 R.M. Mitchell, of the Pacific Supply Cooperative, met
9 in that very place and discussed Group Health. The
10 whole thing had been brought together by associate
11 cooperatives and Twin Pines because we knew that out of
12 that would come a visit to the Seattle area. And the
13 Cooperative League of the USA paid for Dr. Shadid to
14 come up here and to participate. And as a result of
15 all of that, the Group Health began.

16 Addison Shoudy, another wonderful person of that
17 time, was one of the great co-op organizers in
18 Washington State. And he and Dr. Shadid did a tour in
19 visiting almost every co-op, every grange, many unions,
20 and many other organizations to create it.

21 Group Health was created by cooperatives, given
22 birth by cooperatives, defended by cooperatives, and
23 brought into reality by cooperatives.

24 The end of GHC is a terrible, terrible thing for
25 the cooperative movement. It's just a tragedy. It is

1 the closing of the largest functioning co-op in the
2 United States of America. It is the closing of one of
3 the greatest names of cooperatives that we have in the
4 United States. The leadership that Group Health has
5 provided has just been so substantial.

6 And the word "Cooperative" will be removed as a
7 result of all of this. And the twin pines in the Group
8 Health logo will be chopped down, and it will be gone.

9 What we ask, for Twin Pines and the 40 other co-op
10 leaders, is that, as you set up this foundation, that
11 you set aside part of the funds for the development of
12 cooperatives in Washington State, that you set aside a
13 portion of the seats on the Board for members from the
14 cooperative community.

15 The cooperative community has contributed a great
16 deal in the 70-year history of Group Health. We were
17 with you at the beginning. We were with you here at
18 the very end. And we don't want, as a part of all of
19 this, that everything that the co-op world did for
20 Group Health goes away, isn't remembered, isn't
21 recognized, isn't honored. That would be a tragedy.

22 And, Commissioner Kreidler, I'd ask you to make
23 sure that cooperative does not go away, as a part of
24 this merger, because that would be a shame.

25 That's my history of the meeting on the

1 mountaintop.

2 Thank you very much.

3 INSURANCE COMMISSIONER KREIDLER: Thank you
4 very much.

5 Ed Ewing.

6 And following Ed will be Bryan Rivera.

7 MR. EWING: Thank you, Commissioner. I
8 appreciate this opportunity.

9 My name is Ed Ewing. I am a Director at the
10 Cascade Bicycle Club here in the Puget Sound area.
11 Cascade Bicycle Club is a 40-person nonprofit
12 organization with 17,000 members. And we're very
13 well-known for the Seattle-to-Portland bike ride, which
14 Group Health has supported for a number of years.

15 Group Health has been a longtime supporter and
16 partner of the Cascade Bicycle Club and bicycling in
17 the community as a healthy lifestyle and important mode
18 of transportation. Its focus on safety has also been
19 demonstrated through a number of community-based
20 initiatives such as our Helmets for Kids program and
21 the Major Taylor Project.

22 The Major Taylor Project is a community based
23 initiative reaching underserved and/or diverse youth in
24 communities of color here in Seattle.

25 We support Kaiser Permanente's acquisition of

1 Group Health. We are further excited about the
2 opportunity to continue our partnership with the new
3 Kaiser Permanente of Washington and their proven
4 support of the community across their regions.

5 And while we are also looking forward to the
6 national presence and leadership of Kaiser Permanente,
7 we are pleased to work with the experienced local
8 leadership in moving forward.

9 Thank you.

10 INSURANCE COMMISSIONER KREIDLER: Thank you
11 very much.

12 And Bryan Rivera.

13 Bryan, we're going to need to have where you're
14 from.

15 MR. RIVERA: It's Auburn.

16 INSURANCE COMMISSIONER KREIDLER: Okay.

17 MR. RIVERA: Good afternoon, everyone. My
18 name is Bryan Rivera, and I'm here to represent the
19 next generation.

20 I believe we've already heard about the benefits
21 and disadvantages. We've heard a lot of people already
22 speak their peace on what can happen.

23 But what we also need to look at is the
24 opportunity. The opportunity literally just left out
25 the door right now. A lot of the younger people who

1 are here, unfortunately, had to leave.

2 But what we can do with this, this change that
3 already is going to affect the lives of a lot of people
4 in our state, is use this as an opportunity to educate
5 and expand the access to figuring out what this process
6 looks like to the younger generation that's going to
7 have to pick up and move the rest of the work that's
8 left over. They're the ones whose hands this whole
9 system, this whole health care environment, is going to
10 be handed off to.

11 What I hope is that this process is expedited to
12 ensure that everybody is covered, that we ensure that
13 we are also educating and expanding the access of this
14 to people who aren't normally going to attend public
15 hearings, people who honestly don't even know the
16 language that we're speaking right now.

17 There is plenty of resources out there. We've
18 seen this with technology. And there's a lot of stuff
19 that we can be doing. And we need to take a risk and
20 set the tone, set the attitude, and set the right image
21 for how we want health care in Washington to develop.

22 Thank you.

23 INSURANCE COMMISSIONER KREIDLER: Thank you.

24 Janet Varon.

25 MS. VARON: Good evening. My name is Janet

1 Varon. I am the Executive Director of Northwest Health
2 Law Advocates, an organization that works toward
3 improving access to health care for the people of
4 Washington State. We've been quite involved in the
5 many changes that have occurred in our health care
6 world, especially over the past few years.

7 And one more big change is coming up, as we've
8 heard.

9 I'm here to talk particularly about one aspect of
10 the transaction, which is the creation of a large new
11 foundation in our state from the assets of the current
12 Group Health.

13 Now, I know most of the testimony here has focused
14 on what's going to happen to the Group Health members
15 as they join Kaiser.

16 But also part of this transaction is the transfer
17 of the assets from Group Health to a new foundation
18 called Group Health Community Foundation, which we are
19 especially pleased to see because the foundation is to
20 be dedicated to addressing the health-related social
21 welfare needs of the people of Washington, according to
22 the documents.

23 So this is a new baby that's being birthed in
24 Washington State that is of an extraordinary size. The
25 amount that's proposed for the value of this foundation

1 is \$1.8 billion.

2 And I'm here to say that we think this baby should
3 be examined, both prenatally and at its birth, so that
4 it has the best start and gets good advice on how to
5 grow up and that it does the most to benefit the people
6 of Washington State.

7 So I have three points relating to this. And I
8 believe the stakes are really high and each of these
9 things needs to be considered and considered by public
10 officials before things are underway.

11 The first thing that needs to be done is to ensure
12 that the value that Kaiser is paying into the
13 foundation is full fair market value, for the purchase
14 of Group Health, and it's not undervalued.

15 There's a lot of focus on the big number.

16 But we would like to see an independent review of
17 the full fair market value of the transaction so the
18 public is not in any way shortchanged by
19 undervaluation.

20 We have seen this in other transactions. Here you
21 don't have the money going to the seller here, Group
22 Health. It's going to the foundation. And the
23 evaluation of full fair market value is a sophisticated
24 undertaking. So please consider that. I have more
25 detail on why we think there are some things that need

1 to be examined more closely.

2 Second, to ensure the long-standing
3 community-centered heritage of Group Health is
4 preserved. Community-centered decision-making should
5 be woven right into the fabric of the new foundation.
6 We are, again, relying on those with oversight over
7 foundations to make sure that this happens.

8 And a couple of other recommendations that have
9 been made here today involve similar considerations.
10 We want to make sure there is an actual structure
11 created to make sure communities have a voice.

12 We know of similar foundations that have Community
13 Advisory Committees. And those should be considered.
14 We want to see this foundation truly be accountable to
15 the community.

16 And, finally, make sure this foundation is set up
17 to ensure it's well run in a transparent way for the
18 benefit of the people of Washington, which involves
19 knowledgeable directors, how grant decisions are made,
20 preparation, and competency.

21 So far, the bylaws of this foundation are very
22 general and need to be fleshed out. And we know it's
23 just a proto-foundation at this point. And we'd like
24 to see it set in a positive direction.

25 This is the time to make a difference in how

1 effective, responsible, and responsive the foundation
2 is to the needs of the community.

3 You control the process. And you have an
4 opportunity and a responsibility, Commissioner, to get
5 this right, to exert your authority on behalf of the
6 community.

7 So thank you very much for your consideration.

8 And we can provide further information.

9 INSURANCE COMMISSIONER KREIDLER: Thank you.
10 Thank you very much, Janet.

11 And let me point out to everybody: If you have
12 more comments that you want to have put into the record
13 officially, it will be a part of it even if you weren't
14 afforded full time here. So electronically you can
15 submit them. You can do it by post if you want to.
16 There are those opportunities.

17 And there will be the formal hearing, which will
18 be later this year, presumably, which will afford us
19 the opportunity then for further public comment at that
20 time.

21 I should also point out that, on the Office of the
22 Insurance Commissioner's website, there's robust
23 information about this transaction. Everything that
24 can be made public is made public on that website.

25 And if you have suggestions of other information

1 we should enter, let us know about it. And we'd
2 certainly be prepared to consider it so we could add
3 that to the website. But it's very robust from that
4 standpoint.

5 I should point out, just as an aside, and on that
6 website there's also a clear description of my
7 involvement with Group Health, which I started working
8 at in 1972, and to fully describe that so that there's
9 no conflict of interest. It could go either way,
10 obviously.

11 But in 1972, when I came here - following up on
12 what David Thompson was talking about with co-ops -
13 there was a delegation there, as I was signing in as a
14 new employee, that was there from the Soviet Union.
15 They were very interested in finding out how a consumer
16 cooperative could thrive in a capitalist society.

17 And I had a job offer from Kaiser at that point,
18 Kaiser Northwest, and a job offer then from Group
19 Health. I'm not saying that it's the one that
20 encouraged me to go with Group Health, but it certainly
21 was intriguing, to say the least.

22 I'm going to ask, just one more time, if there's
23 somebody here who hadn't been afforded the opportunity
24 to testify.

25 I see no one indicating that.

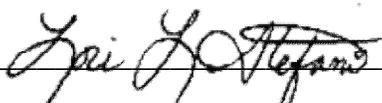
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

I, LORI L. STEFANO, a Certified Court Reporter of the State of Washington, do hereby certify that the foregoing proceedings were reported by me on June 29, 2016, and thereafter transcribed by me by means of computer-aided transcription.

I further certify that the said transcript of the proceedings as above-transcribed is a full, true, and accurate transcript of the aforementioned matter.

DATED and SIGNED this 13th day of July, 2016.


Lori L. Stefano, CCR No.

