

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of:)	
THE ADOPTION OF THE)	
DISSOLUTION EXAMINATION REPORT)	
AS OF JUNE 30, 2003 OF KAISER)	Docket No. 3331-ER
FOUNDATION HEALTH PLAN OF)	
KANSAS CITY, INC.)	

ORDER

NOW comes on for formal disposition the matter of the adoption of the dissolution examination report as of June 30, 2002 of Kaiser Foundation Health Plan of Kansas City, Inc. (“KFHPKC” or “the Company”), a Kansas corporation, and the dissolution of the same. This matter is brought before the Commission of Insurance pursuant to the provisions of K.S.A. §§ 40-222 and 40-248.

I, Sandy Praeger, the duly elected, qualified, and acting Commissioner of Insurance, having fully considered and reviewed the dissolution, financial examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners’ work papers, and further, being fully advised on all premises, hereby find:

Findings of Fact

1. KFHPKC was incorporated in 1981 as Kansas City Health Care, Inc., a not-for-profit health maintenance organization (HMO) and was issued a certificate of authority by the Kansas Insurance Department (“KID”) in 1983, which allowed the Company to transact business in the state of Kansas as an HMO, as defined under K.S.A. §§ 40-3201, *et seq.*

2. On August 1, 1985 KID issued an amended Certificate of Authority when Kaiser Foundation Health Plan, Inc. of Oakland, California purchased the assets and liabilities of the

Company, the name of the Company was changed to Kaiser Foundation Health Plan of Kansas City, Inc. (“KFHPKC”), and Kaiser Foundation Health Plan, Inc. became the sole member of KFHPKC.

3. On January 17, 2001, KFHPKC entered into agreements with Coventry Health Care of Kansas, Inc. and Coventry Health and Life Insurance Company (together “Coventry”) to transfer substantially all of KFHPKC’s group membership to Coventry.

4. On January 17, 2001 KFHPKC also advised KID, pursuant to the federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and K.S.A. §§ 40-2257(d)(1) and 40-2209(d)(4)(A), of its intention to withdraw from the individual commercial health plan market in the Kansas City area, effective July 31, 2001.

5. On February 19, 2002 KFHPKC advised KID, pursuant to K.S.A. § 40-248, of its desire to discontinue its business. In accordance with § 40-248, the Commissioner of Insurance gave notice of the Company’s intention to discontinue business by publishing a Legal Notice of Discontinuance of Business in the *Kansas City Star* newspaper beginning on March 11, 2002, and for six weeks thereafter with the final publication on April 19, 2002.

6. A dissolution financial examination was commenced by KID on or about August 5, 2002, for the period ending June 30, 2002, and was completed on August 9, 2002. The examiner-in-charge prepared and filed with KID a verified written report of the examination within thirty (30) days following completion of the examination.

7. On November 24, 2003 KFHPKC entered into an Administrative Services Agreement with Kaiser Foundation Hospitals (“KFH”), a copy of which is on file with KID. Under this Agreement KFH agreed to administer, resolve and satisfy all liabilities of KFHPKC, including contingent liabilities.

8. Pursuant to K.S.A. § 40-248 the president and secretary of KFHPKC have provided an oath affirming that the Company has satisfied or provided for the satisfaction of all debts, judgments and liabilities in association with the dissolution of the Company.

9. On November 26, 2003 KFHPKC filed its Consent of Dissolution with the Kansas Secretary of State.

10. On December 4, 2003 KFHPKC surrendered its Certificate of Authority to KID.

11. A copy of the verified dissolution financial examination report was transmitted to KFHPKC on January 22, 2004, with a notice advising the Company of its right to prepare and submit to KID a written submission or rebuttal with respect to any and all matters contained in the report within thirty (30) days following its receipt of the report.

12. On March 1, 2004 KFHPKC representatives met with KID to present a written submittal of certain modifications to the verified examination report which were duly noted and agreed to by KID.

Conclusions of Law

13. K.S.A. § 40-222 provides, in part, as follows:

(a) Whenever the commissioner of insurance deems it necessary . . . the commissioner may make, or direct to be made, an examination of the affairs and financial condition of any insurance company . . . doing business in this state . . .

(k) (1) No later than 30 days following completion of the examination or at such earlier time as the commissioner shall prescribe, the examiner in charge shall file with the department a verified written report of examination under oath. No later than 30 days following receipt of the verified report, the department shall transmit the report to the company examined, together with a notice which shall afford such company examined a reasonable opportunity of not more than 30 days to make a written submission or rebuttal with respect to any matters contained in the examination report.

(2) Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners workpapers and enter an order:

(A) Adopting the examination report as filed or with modification or corrections. . . .

14. K.S.A. § 40-248 provides, in part, as follows:

When any insurance company organized under the laws of this state shall desire to discontinue its business, the commissioner of insurance shall, upon application of such company, give notice of such intention in a paper published and having general circulation in the county in which such company or its general agency is located, at least once a week for six weeks, the expense of publication to be paid by the company. . . . After such publication the commissioner of insurance shall authorize the release of the securities held under K.S.A. 40-229a if the commissioner, upon the commissioner's own examination or the examination of some competent, disinterested person or persons appointed by the commissioner, is satisfied with the exhibition of the books and papers of the company. The president and the secretary shall affirm that all debts, judgments and liabilities of every kind are satisfied.

15. Based upon the Findings of Fact enumerated in paragraphs 1 thru 12 above, the dissolution financial examination report as of June 30, 2002 of KFHPKC should be adopted, the Company's Certificate of Authority to transact the business of insurance as an HMO should be accepted and revoked, and the dissolution of KFHPKC confirmed.

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE
THAT:**

1. The dissolution financial examination report of Kaiser Foundation Health Plan of Kansas City, Inc. as of June 30, 2002, as modified, is adopted.

Certificate of Service

The undersigned hereby certifies that a true and correct copy of the above Order was transmitted by U.S. Mail, postage prepaid, on this 7th day of May 2004, to:

Jim Simpson
Kaiser Foundation Health Plan, Inc. and Hospitals
1950 Franklin Street, 6th Floor
Oakland, CA 94612

David Barrier, Esq.
Lathrop & Gage L.C.
2345 Grand Boulevard, Suite 2800
Kansas City, MO 64108-2612

 /s/ Linda J. Sheppard
Linda J. Sheppard
Assistant General Counsel

AFFIRMATION PURSUANT TO K.S.A. § 40-248

The undersigned, the duly elected president and secretary of Kaiser Foundation Health Plan of Kansas City, Inc. (“KFHPKC”), hereby affirm that as of the date set forth below, KFHPKC has satisfied or provided for the satisfaction of all debts, judgments and liabilities of every kind.

Executed this ____ day of _____, 2004.

KAISER FOUNDATION HEALTH PLAN OF KANSAS CITY, INC.

By: _____
President

By: _____
Secretary

EXHIBIT A