BACKGROUND

The Kaiser Permanence Medical Care Program (KPMCP) is a private, nonprofit, health care program that provides prepaid medical and hospital services to more than five million people in 16 States and the District of Columbia. It also enrolls individuals and groups and accepts the risk for both the cost and volume of services.

The Kaiser Permanence Northern California Region (KPNCR) operates 14 hospitals and 26 outpatient medical offices, with 2,364 physicians and over 21,000 employees. It serves a total membership of more than 2 million people, 25 percent of the area's population. The range of resources and scope of services offered by the program qualify KPNCR as one of the largest and most comprehensive private sector health care delivery systems anywhere. A map of the service area is shown in figure A-1.

This appendix provides background information on the KPNCR organization, its membership, benefits, ratesetting, utilization patterns, and market competition.

ORGANIZATION

KPNCR consists of three entities: Kaiser Foundation Health Plan, Inc. (KFHP), The Permanence Medical Group, Inc. (TPMG), and Kaiser Foundation Hospitals (KFH). KFHP is a California nonprofit, public-benefit corporation. It is an administrative and contracting organization with functions that include enrolling members, maintaining membership records, collecting payments, and contracting with TPMG and KFH for professional and hospital services. As a federally qualified health maintenance organization (HMO), the health plan:l

- is required to provide basic health services, including physician and inpatient hospital services, rehabilitation and physical therapy, outpatient mental health services, alcohol and drug abuse treatment, laboratory and radiology, home health, and preventive health care;
- is not permitted to have deductibles for basic health services and is limited as to the amount of copayment that can be charged for these basic health services;
- is required to enroll all group sponsored applicants;
- must use community rating for non-government groups.

KPNCR is also regulated by the California State Department of Corporations under the Knox-Keene Health Care Services Plan Act of 1976. The act mandates basic benefits and copayment limitations similar to those of the Federal act but does not require community rating. California health care service plans that are not federally qualified HMOS are permitted to experience-rate. The State Act also permits non-federally qualified HMOS to establish preexisting condition clauses for group enrollment.

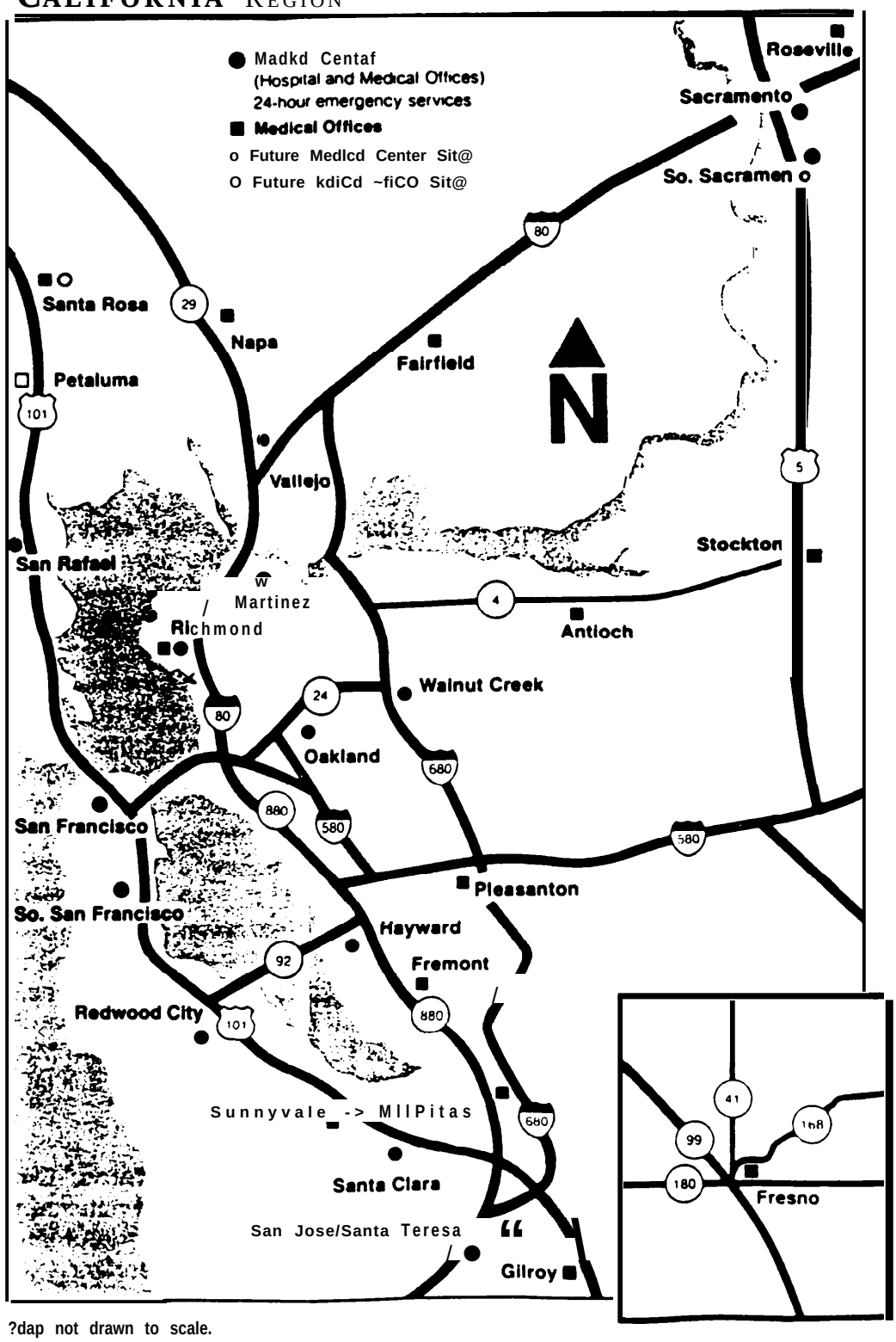
K FH is a California nonprofit, charitable corporation and is obligated through contract to provide or arrange health care facilities for KFHP members.

TPMG is a for-profit California professional corporation. It is composed of physicians, representing the major specialties in medicine, who practice at KFH facilities, where the staff and equipment necessary for diagnosis and treatment are provided. TPMG is compensated by KFHP with an annually negotiated amount per member per month; physicians are not compensated on the basis of individual services provided. The relationship between TPMG and KFHP is exclusive.

1 **Federal legicilation to liberalize aome of these requirements is currently under consideration.**

Figure A-l --- KPNCR Service Area Map

NORTHERN CALIFORNIA REGION



?dap not drawn to scale.

MEMBERSHIP

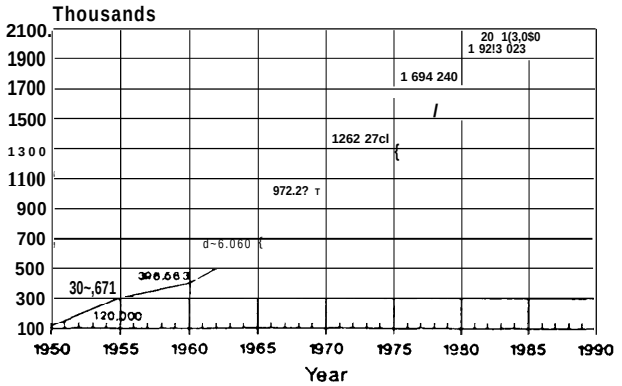
Growth within KPNCR has been steady, with the addition of both medical centers and freestanding medical offices paralleling increases in membership. As of the end of 1986, membership totaled 2,016,990 (figure A-2). Table A-1 details KPNCR membership by age and sex for the years 1980 and 1986.

The majority of KPNCR members are group members. In 1986, 88 percent of members were affiliated through employer groups, and 12 percent were enrolled as individual members. The breakdown of group versus individual membership has remained relatively stable since 1975 (table A-2).

Elements of a Group

In order to qualify for health plan group membership, potential subscribers must meet one of three conditions. They must be employees of one common carrier, working partners and their employees, or eligible for coverage through Health and Welfare Trust Funds established through collective bargaining arrangements. (Association plan enrollment is also available on a medical review basis to organizations that do not meet the criteria for group health plan coverage.)

Figure A-2.-Kaiser Foundation Health Plan Membership Northern California Region



SOURCE: Kaiser Permanente (Northern California Region), "Facts 1987," internal document, Oakland, CA, 1987

Table A-1.--Percent Distribution of Membership by Age and Sex[a]~[b] 1980 and 1986

Age	1980	1986
Uales		
Under 65	11 .8%	11 .1%
0-14	5.0	4.2
15-19	20.3	20.3
20-44	9.3	9.8
45-64	46.4	45.4
Over 65	2.6	3.5
Total	49. O%	48.8%
Fetnales		
Under 65	48.1%	47.3%
0"14	11.3	10.6
15-19	4.9	4.1
20-44	22.3	22.2
45-64	9.6	10.3
Over 65	2.9	3.9
Total	50.9%	51. 2%
Mates and fefna[es		
Under 65	94. 5%	92 .6%
0-14	23.1	21.7
15-19	9.8	8.3
20-44	42.6	42.5
45"64	19.0	20.1
Over 65	5.5	7.4
Total	100. O%	100. o%

[a]The percentage reflect average health plan membership.
[b]Percentages may total 100 due to rounding.

SOURCE: Kaiser Permanence (Northern California Region), "Annual Statistical Review," unpublished internal document, Oakiand, CA, 1980 and 1986.

There are several other conditions that apply to group membership:

- Groups must be composed of five subscribers or of one subscriber in a group of 25 or more eligible employees that offers dual or multiple choice of health plans to employees;[2]
- At least half of the monthly subscriber premium rate must be contributed by the employer. This makes the employer a participant in providing health care and creates an incentive for the employer to include only eligible employees in the group;
- Employees must work a minimum of 20 hours per week or be permanent part-time employees. This is also an incentive for the employer to include only eligible employees in the group;
- All new groups with 50 or more potential subscribers must have dual choice arrangements. This corresponds with KPNCR'S principle of voluntary enrollment; and
- A majority of the eligible subscribers of a group must be covered by Workers' Compensation. This increases the likelihood that work-related injuries and illness will be covered under Worker's Compensation rather than under the KPNCR benefits.

2 A "subscriber" is the head of the family unit andin whose name membership is obtained. This isin contr~t to a "member," defined as any individual who is entitled to KPNCR services.

Table A-2--- Number and Percentage Distribution of Group and NonGroup Members for Selected Years: 196!5 to 1986[a]

Northern Cal i fornia (as of Dec. 31)	Number of members (in thousands Group mmbership	Nongroup meniwship	Total	Percent distribution Group	Nongroup
1965	531.8	114.1	645.9	82%	18%
1970	844.9	127.4	-972.3	87	13
1975	1123.5	128.8	1252.3	90	10
1980	1521.6	172.8	1694.3	90	10
1985	1751.1	224.8	1976.0	89	11
1986	1784.7	232.8	2017.0	88	12

[a]Data include membem of families who contract individually with the health plan either by direct enrollment or by convemion from a health plan group.

SOURCE: Kaiaer Permanence (Northern California Region), "Annual Statistics Review," unpublished internal document, Oakland, CA, 1986.

Elements of Individual Membership

The Federal HMO Act and California's Knox -Keene Act require HMOS to offer members who are leaving their employer - sponsored groups an option to convert to an individual (or "direct-pay") plan. KPNCR is one of a few northern California HMO/PPO health carriers that offer health plans to individuals who are not converting from their carrier's group plan. Only 5 of 19 competing health plans allow non-conversion individual enrollment.

Eligibility

There are two types of direct-pay members. "Conversions" are individuals who leave an existing group and want to retain their program membership. "Direct enrollments" initiate membership with KPNCR independent of prior group membership.

Conversions face no medical restrictions upon applying for direct- pay membership. However, they are required to choose KPNCR'S conversion coverage within a specified time after their group enrollment ends. Fifty-seven percent of direct-pay members are conversions.

Direct enrollment applicants must complete an application and a medical history form (figure A-3). Applicants indicating a history of health care problems are either rejected outright or asked to have a physical examination by TPMG physicians. All applicants over 46 years of age also must undergo a physical examination. The criteria used to determine an individual applicant's eligibility are applied uniformly, regardless of age, occupation, or sex, and are typical of general health insurance practices. Overall, approximately 20 percent of direct enrollment applicants are rejected. (This percentage has remained constant over time.)

BENEFITS[3]

Group Members

Basic benefits for group coverage include physician office visits, hospital services, X-rays, laboratory tests, immunizations, and eye exams. In addition, limited coverage for extended care in a skilled nursing facility; neuromuscular rehabilitation; physical, speech, and occupational therapies; hemodialysis; organ transplants; bone marrow transplants; home health services, alcoholism, drug abuse, or addiction treatment; and mental health care are included in the plan.

KPNCR offers several benefit packages for groups. Basic benefit packages generally differ in two ways: 1) registration charge (i.e., outpatient visit fee) and 2) selection of supplemental benefits.4

The office visit registration charge for medical services ranges from no charge to $20. The registration charges applied to specific services and the designated ranges of these charges are summarized in table A-3.

Supplemental benefits are optional and go beyond the HMO benefits required by Federal and State statutes. Supplemental benefits can either be the extension of a basic benefit or the incorporation of a new benefit, such as an outpatient prescription drug

3 This section provides an overview of KPNCR'S basic non-Medicare benefito and should not be interpreted aa a definitive list of contractual benefits.

A Employem determine which supplemental benefits are offered to employees.

Figure A-3---KPNCR Application for Membership-Medical Questionnaire

● .. luusm
. PtmwaJum

IGisor *Foundation Health* Plan, Inc.
Northorn Califorrm Ragion
Mding Addrc~: P.O. Rox 129=
Oakland, Callfornm 94604

Do NOT WRITE IN THIS SPACE

Medical No, ____________

SU 8SC R I aE R

APPLICATION FOR MEMBERSHIP - MEDICAL QUESTIONNAIRE

INSTRUCTIONS: Us. ink or typevvritor 10 complcre questionnsir~ and use a **SEPARATE questionnmre for each member of your famllv who is #pplY-ing for member$hlp. ALL QUESTIONS MUST BE ANSWERED. ALL QUESTIONNAIRES MUST BE SIGNED. INCLUDE A CHECK FOR THE NONREFUNDABLE PROCESSING FEE. 00 NOT SENO CASH.**

ANY MISREPRESENTATION OF THE PRESENCE OF PRE-EXISTING IMPAIRMENT OR DISEASE WLL VOtO YOUR COVERAGE.

I hereby apply for membership in the Kaiser Foundation Health Plan, based on the following:

1 NaMÇ,-cl.., t   MI   LAST   HOME PHONE   wC) Q K Puç3NF

3, ADDRESS (N UM13E R & STREET)   4 AGE   5. 81 RTFIDATE

6, C ITV   STATE   ZIP   7, MAR IT AL STATUS   U SINGLE   C MARRIED

8. SEX Z MALE ~ FEMALE   19 Height without shoes ______ ft., ______ Inches   10. Weight, undressed ________ 'bs.

11 NAME OF EM PLOVE R   OCCUPATION (Dlm%o dmcrlbo what You do)

12, 1~ Yes '~ No   Were you previously a member of the Kaiser Foundation Health Plan?
If Yes, give group number or name ______
and Medical Record Number If known ______
When did your former membership begin ______ and end ______

13, c Yes ~ No   Have you ever been treated or examined at a Kaiser Permanence Medical Center?
If Yes, I lst locatlon and date of last exam or treatment: ______
If seen using a different name or maiden name, give name: ______

14 c Yes C No   Have you ever been re)ected for medical Insurance Includlng Kaiser Foundation Health Plan, or been offered Insurance at a higher (rated up) prem turn ~
If Yes, please explaln ______

15, C Yes ~ No   Were you ever rejected from military service or discharged from mll!tary service for medical or psychological reasons 7
If Yes, please explaln ______

16, z '{es ~ No   Do vou regularly drink alcoholz ~ Beer   C Wine C Hard Llcwor
If Yes, how much) ______

~ Yes G No   Do you smoke? If so, how much per dav? ______ How long have you smoked? ______

______+   IF YOU QUIT, how many Years dld vou smoke? ______ How long since you've qultz ______

17 Date of last physical examination. ______   Please check the examlnat!on received: o routine examination
D OB-GYN (Obstetrics.Gynecology)
G Other (please specify) ______

Name and address of examining physician: ______

18. ~ Yes O No   Have you ever been advised to have surgery which you have not yet undergone?
If yes, give details. ______

19. How many times have vou vlslted a physician in the last year? ______ Please llst reasons for vlslts (symptoms, complalrm, etc.) ______

CIUESTIONS TO BE ANSWERED FOR ALL FEMALE APPLICANTS OVER THE AGE OF 13.

20 Date of your last menstrual period. ___/___/___ (MO DAY VEAR)   21. c Yes ~ No   Are vou now pregnant 7

(OVER)

98005 (REV. 4-87)

Figure A-3.--KPNCR Application for Membership-Medical Questionnaire (Cent'd)

22 **Have you ever been hospitalized, diagnosed or treated for any of the tollowlng' Please Place a check (0 m the Yes or No column EVEF?Y ITEM MUST BE CHECKED. IF YES, EXPIAIN BELOW IN NUMBER**

Yes	No		Yea	No	
❑	❑	**Alcoholism**	❑	**0**	**Heart** attack or other hearf trouble
❑	❑	**Serious anemia or other blood dmeases**	❑	0	Heart murmur
❑	❑	**Arthrltls, gout, Or painful joints**	❑	0	Hypertension or h!gh blood pressure
❑	❑	Asthma , wheezing	❑	c1	Herma (rupture) ~ Yes ~ No Surgically **repa[red**
❑	❑	Chronic cough emphysema or other chronic lung dweases	❑	❑	**immunological deflclency, such as Acqumct Immune Dehclency Syndrome (AIDS), Aids-related complex (ARC)**
❑	❑	Back ache or back m)ury	❑	❑	**Ulcers of** stomach or duodenum
❑	❑	Serious **bodily Injury or dmabdlty**	❑	❑	Venereal Disease
❑	❑	**Cancer,** leukemia or tumors	❑	❑	Persstent Indtgestlon or peptic symptoms
❑	❑	Convulsions, seizures or epdepsy	❑	❑	Kidney condmon, kidney **StOfleS**
❑	❑	Diabetes or sugar In urine Medicafron " ~ Oral ~ Injection	❑	❑	Loss of urine control, bladder problems, or dlfflcult **unnatlon**
❑	❑	Dtarrhea or colms (chrome) Rectal bleeding or other rectal adment	❑	❑	prostate problems
❑	❑	Ear problems or loss of haanng	❑	❑	Liver conditions ~ Clrrhosm~ Jaundice ~ Hepatttls
❑	❑	Tubes **now present** In ears for otltfs meda	❑	❑	Paralysls Strokes
❑	❑	Eye condmon (cataract, Irltm, etc)	❑	❑	**serious skin disease, melanoma,** psonasls
❑	❑	Glaucoma	❑	❑	Female organ abnormality
❑	❑	Gallbladder stones ~ Yes ~ No Surgically removed	❑	❑	Irregular vaginal bleeding
❑	❑	Goiter or thyroid condltlon	❑	❑	Mental ! ernouonal disorders
❑	❑	Hay fever or allergles	❑	❑	Psychlatnc counsehng
❑	❑	Currently on allergy mpctlons	❑	❑	Drug addctlon or abuse (Please sp6clfy) _____
❑	❑	Headaches ~dlsabling) or mlgrame			

23. ❑ Yes ~ No Have you ever been treated or are you being treated for **any other condltlon not hsted above? Please describe:**

24 ~ Yes ~ No Do you have or have you **had unexplained and ~ or undiagnosed symptoms** such **as** wefght loss, swollen glands, fever, skin lestons, rash or rectal problems? If yes, please explaln: _____

25 ~ Yes ~ No Are you currently taking medications for any of the conditions noted in Items 22 or 23? If Yes, list medlclnes:

~ Yes ~ No Are you currently or regularly taking any other medlcat!ons or drugs? If Yes, please list: _____

26 ~ Yes ~ No Are any of the above condlt!ons now present? If Yes, which condltlon(s)? _____

27 If Yes IS checked for any condition m Items 22 through 26, gwe details below:

CONDIItON	HOSPITA1. NAME (If hospltailzed)	AITENDING PHW51CMN	PHYSICIAN'S ADDRESS	Imto of Last TREATMENT

1

(IF ADDITIONAL SPACE IS NEEDED PLEASE ATTACH AN EXTRA SHEET.)

Tflls medcal questtonna(re must be updated to include any mndmon or disease wh!ch occurs afer the date of submms}or of :hls appkanon and pr,or to Kaiser Foundation +eaw Plan s aueptance Failure to provule trus mformabon !o Kamer FourMat(on Health Plan WIII consf!tufe a nwsreoresertauon of the presence of a pre-exmong conclmon or o,sease 31cj ~ay ,old four coverage Acceptance of the nonrefundable pfocassmg fee **by Kaiser** Foundation Health **Plan does not constitute ac~tenw of your application ● s s Haetth Pkn member. The Health Plan reserves** the **rfght to reject ● ny ● *pplicant* ● nd ie not otsllgated to dlscloae the reason for relactlon**

1 hereby cemty that the toregomg answers are true ● nd cgmpbte and to the beat of my knowlecfge my heatth IS amurate~y represented **(n the tive Stalefnerw. I understand that** Heatth **Plan may require me to have a phywcal exammaoon, and I authorize the rebasa of any mtormahon from such exammatron to** Health **Plan for use m UJnstcianng my apphcauon I also understand and agree Us* whenevw ~ m ftm dnmtatraison of fha Setwce Agreement. Katser Permanence phyaoans may dmcas.s wrth Health Ran medc.al mformaoon related to thw agpiicaoon.**

I a- for Heatm Plan membership and agree that I shail atsda by the pmwsmns of the %r-wce Agreement and Heatfh Ptan regubatrons I understand **that the Servtca Agraarmemt provldas that *I cfalms, Incfuding madxxi malpracaw dams, wkh anee because I or someone wrth a relauonshlp to me, behave** mat some **conduct In, or ansmg from, w rgianonstvp with K&ser Foundaficm ~ Ptan, Inc ,** KZSSW **Foundatmn Hmptals or The** Permanence Madlcal Group, Inc-, as a marnoer w ss a Potwnf. tiaa ~used **any ham are subfect ?0 CWdng afO@dtiOn,**

(In ma event me appkant IS **a mmor, or m 1~, the ap@calWs name should be entered on rhe** "Signature of N@c.ant" Ins, **and the parent or guardm should sign where ind~ted)**

IMPORTANT: ALL QUESTIONS MUST **BE ANSWERED, APPLICATION WILL BE RHt,JRNED IF ANY QIJESTION IS NOT ANSWERED.**

SIGNATURE of APPLICANT OAT-E

SiGNAIIJRE OF PARENT OR GUAROIAN **DATE**

9SCOS IREW 4 8~ REVERSE

Table A-3---Registration Charges for Selected Services

Service	Range of charges
Outpatient physician visits including eye exams	No charge to S5
Xrays and laboratory Mork.....	No charge to S5
Inhalation, occupational, or physical therapies	No charge to S5
Physician house calls	No charge to S5
Mental health visits	No charge to S20

SOURCE: Kaiser Permanence (Northern California *Region),* unpublished data, Oakland, CA, 1988.

benefitor hearing aid coverage. The supplemental benefits available to most groups are: 1) outpatient prescription drugs and certain accessories (e.g., syringes), 2) eye glass and contact lens coverage, 3) hearing aid coverage, 4) durable medical equipment, and 5) dependent coverage options.

Seventy-six percent of KPNCR's enrolled members have a drug benefit. Table A-4 details the types of available pharmacy coverage, member charges per prescription, average monthly cost, and member participation rate.

Table A-4.--Description of Prescription Drug Plans

Drug plan code	Hedxr pays	Average monthly subscriber cost[a]	Particip tion rate[1?]
1	Blue Book[c] ($1 minimun)	$3.26	7.2%
2	$1 charge per prescription for (whichever is greater): 34 days' supply (or one cycle of a contraceptive drug) or manufacturer's smallest package	9.20	60.4
4	$1 charge per prescription for (whichever is greater): Other than contraceptives: 100 days' supply or manufacturer's smallest package Contraceptives: one cyc'le or manufacturer's sma([est package	9.08	1.4
5	$3 charge per prescription for items as described in Plan Two	5.70	8.3
6	S2 charge ~r prescription for items as described in Plan Two	N/A	12.7
7	No charge for 100 day's supply or manufacturer's smallest package. Reasonable rates for purchase of excess of both of the above llmltatlons.	12.7	19.9
8	NO charge for 100 days' SUPP1[or manufacturer's s~llest package, whichever is greater	N/A	0.1

~Addition represents incremental cost of drug option to self oniy subscriber, first quarter 1988.
Percent of a~l mmbers participating in a drug p(an, first quarter 1987.
~The price for which a wholesaler wou(d sell the product to a retailer.
Only offered to Federal enployees.
'Only offered to Medi-Cal menixrs under pilot project.

SWRCE: Kaiser Permanence (Northern California Region), internal marketing docunent, Oakland, CA, 1988.

Direct-Pay Members

Direct-pay members are offered the same basic benefits as group members. Two plans are available; however, direct-pay members converting from group coverage are limited to Plan I. The primary difference between the two plans is the outpatient office visit registration charge. Plan I registration charges are $5 per visit for most office visits, versus $15 per visit in Plan II. Neither plan offers an outpatient prescription drug benefit (except for members with part A and part B Medicare coverage).

Figure A-4 provides a comparison between Plan I and Plan H.

RATESETTING

KPNCR groups are community-rated. All groups with the same benefits and contract renewal date have rates that reflect the same comm unity rate standards. Variations in prepaid rates from group to group reflect differences in benefits, contract renewal dates, and length of contract.

The method for calculating the base community rate (i. e., excluding supplemental benefits and administrative charges) for any year involves the following steps:

1. The total expenses (i. e., revenue requirement) for providing care is forecasted;

2. Revenue from all sources, including basic dues for contracts prior to renewing in the current year, is forecasted. In addition to basic dues before renewal, other revenue sources inc lude Medicare, nonmember revenue, interest income, etc;

3. The shortfall between items 1 and 2 is divided by member-months for all groups after renewing their contracts for the current year. This is the per-

Figure A-4--- Individual Plan Programs

The fO((wing ● re the COSts ard benef i ts of the tw Ka ıser f-t im !ieai th P(an Irdivi*(Plan progr~ wai (able in 1987:

8enef i ts	Plan 1	Plan [1
In the hapita(		
A(I ~ysician srd surgeon services	Ilo charge	No charge
Intensive care/Cardi „Care	No charge	NO charge
Room ad board	No charge	NO charge
Laboratory ad x- ra,	$3 per test or X-ray	$S oer test or X-ray
physical therapy	No charge	No charge
Other necessary services and s~[ies (irxluding special rsmsing)	No charge	No charge
In the ~tor~s Office		
(KO OgS limit for q of t~ ~i~~)		
Office viaits (irtc[udes routine fityxica(● xma, wet [-baby check-~, arsi Ob/Gy7t a~int~ts)	$5 per VISI t	$15 per visit
Nearing and vision ● xaminations	$5 per visit	S15 per visit
Physical therapy visits	$S per visit	$15 per visit
Al lergy teats and injection visits	$3 per visit	S 3 per visit
Administered medicati~, injections ● tlergy testing end treatment inter i a (s	No charge	No charge
Laboratory a-d X- ra,	$3 per test or X-ray	$5 wr tes~ or X-ray
Maternity Care		
Physicim and rnrsamedical office visits	$5 per VISI t	S15 per visl t
Ilospita(services	No charge	No charge
Caasarem delivery	No charge	No charge
Cca@icatl~ of pregnMcy	No charge	No charge
Pmsacriptiat Drq -fits		
Adini Sterd bhi(e in the hosDital or in the &torts office "	Mo charge	MO charge
Obtained at Plui #tamnacies	Not coverea	Mot covered
~i- Sefwice		
Authoriz4 by a Plan ~ysici~	No charge	No charge
Merita(Hesltilc.oM		
Office visits. W to 20 visits per ca(edsr year	$20 per visit	S20 per visit
Groq therapy	$10 per visit	S1O per visit
I@apitalization - up to 4s d e,s of frpatiertt care per ca(endar year	No charge	Mo charge
A k d s o l i g a a j o ~ ~		
Offica visits	$5 per visit	S15 per visit
b$pita(ization - Limited to the mxwa(of toxic sbt~e(s) fra the syatm	No charge	NO charge

Thts is intardet] omly as a general descrip[i~ of the p(anis benefits. It is not a contract. For aditione[infoimatl~ on these and other bmeflts, please refer to this P(mCs 'Oiscloaure Form/Evi~e of Coverage~ or call a Service Representative at a Hea(th Plan Office.

	1987 Hcnth(y Charge	
	P(an 1	Plan 1[
S*criber Only	S 65.73	S60.17
S@acriber$nd~D~,	130.46	119.34
Subscriber ad fuo or More Dqen&t-tts	178.05	161.81

SCURCE: Kaiser peMS$nmte (Norther„Caofo„a Rq,m), ~rket,pg ~rwbure Oakland, CA, 1987.

member-per-month (PMPM) increased revenue requirement for all contracts renewing in the current year;

4. The PMPM is converted into three step rates: subscriber only, subscriber plus one dependent, and subscriber plus two or more dependents. These rates, graduated by quarter, are applied to all groups as they renew in the current year.

Under community rating, KPNCR is at risk for the accuracy of its forecasts and for unexpected fluctuations in costs.

Revenues in excess of expenses and capital generation requirements are used to moderate rate increases in the future.

UTILIZATION PATTERNS

Table A-5 provides age-specific health plan utilization rates for 1986. KPNCR hospitals have experienced higher average occupancy rates than California hospitals as a whole. From 1976 through 1982, KPNCR hospitals followed the national patterns for average occupancy. However, in 1984 KPNCR hospitals did not experience the

Table A-5.--Age-Specific Health Plan Utililization Rates, Calendar Year 1986

Age grotp (male and femle)	Hospital days per 1,000 per year	Discharges per 1,000 per year	Average 1 ength of stay	Doctor off ice visits per 1,000 per year
0-M	235	54	4.4	3,359
0-14	92	25	3.7	3,710
0-4	177	44	4.0	6,3W
5-9	44	14	3.1	2,660
10” 14	58	17	3.5	2,182
15-19	136	37	3.7	2,320
20-44	235	62	3.8	3,098
20-24	220	68	3.3	2,873
25-29	289	86	3.4	3,340
30-34	248	67	3.7	3,241
35-39	208	48	4.3	2,941
40”44	207	42	4.9	3,087
45”64	433	76	5.7	3,962
45”49	261	49	5.3	3,250
50”54	352	65	5.5	3,814
55-59	481	84	5.7	4,073
60-64	698	115	6.1	4,930
45+	1,337	195	6.9	6,363
65-69	949	149	6.4	5,516
70-74	1,296	189	6.8	6,650
75-79	1,649	233	7.1	7,430
00-84	2,213	296	7.5	8,000
85+	2,928	395	7.4	6,298
Total	317	64	4.9	3,581

SOURCE: Kaiser Permanence (Northern Californi aRegion), “Annual Statistical Review,” unpublished internal document, Oakland, CA,1980 and 1986.

dramatic drop in occupancy that occurred throughout the State and country (table A-6).

MARKET COMPETITION

Many of KFHP's competitors in northern California are also nonprofit organizations, although in recent years a growing number of for-profit competing plans have either entered the northern California market or converted from nonprofit status. Table A-7 shows the profit status and other key data for a selection of competing HMOS.

1 Although KPNCR hospitals are open **to all membere of the community, they primarily serve KPNCR members.**

Table A-6--- Percent of Average Hospital Occupancy, KPNCR, California, and the United States, Selected Years From 1976 to 1986

	1976	1978	1980	1982	1984	1986
KPNCR	75 .8%	5 .8%	77.9%	76. 5%	77.3%	68 .6%[a]
Ca(i forni a[b]	65.6	66.3	68.7	68.5	64.1	65.4
United States[b]	74.6	73.6	7S.6	75.3	69.0	N/A

[a] ~he lower occupancy rate reflects a reduction of elective admissions during a 7 week strike by hospital employees during 1986.
[b] Includea Kainer Permanence facilities.

SOURCES: American Hospital Association, HosDital Statistics (Chicago, IL: AHA, 1!371- 198 S). State of California, Office of Statewide Health Planning and Development, "Quarterly FinanciaI and Utilization Report, 4th Quarter, 1986," Sacramento, CA, April 15, 1987.

Table A-7. --Largest Non-Kaiser Northern California HMOS

	Enrol lment 3/87	Profit status	Qua 1 i f i cation status	P [an age	Headquarter city
Foundation Heal th Plan	165,456	P	FQ	9	Scramento
Take Care	15,000	NP	FQ	8	Cakland
L i f eguard	105,000	NP	FQ	8	San Jose
Bay Pacific	84,051	P	FQ	8	San Bruno
HEALS	60,000	NP	FQ	5	Emeryvi 1 le
Max{care (N. Ca	59,100	P	FQ	13	Bur 1 i ngame
Health Plan of America	46,200	NP	FQ	6	Orange
Hea(th Plan of the Redwoods	32,100	NP	FQ	7	Santa Rosa
Institute for Preventive Medicine (1PM)	24,225	P	FQ	8	Va 11 ejo
Chi ldren's Hospital	21,000	NP	NFQ	11	San Francisco
French Hospital	17,500	NP	FQ	136	San Francisco
Healthcare..	17,425	NP	FQ	11	Sacramento
Sums Health Plan	17,000	P	FQ	2	Fresno
Contra Costa Health Plan	10,809	NP	FQ	13	Martinez
ValuCare....	10,200	P	FQ	1	Fresno

Abbreviations: P =forprofit, NP = nonprofit; FQ= federally qualified; NFQ =not federally qualified.

SOURCE: Intemtudy, The InterStudy Ed~e, Excelsior, MN, Summer 1987.