Summary of
Committee Structure and Charters
(including full Board Executive Sessions)

Kaiser Foundation Hospitals
Kaiser Foundation Health Plan, Inc.
Kaiser Foundation Health Plan of the Northwest
Kaiser Foundation Health Plan of Colorado
Kaiser Foundation Health Plan of Ohio
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.*

Audit & Compliance
Audit Review
  • Internal Audit
  • Financial Reporting
  • Relationship with Independent Auditors
  • Audit Plans & Overall Control Environment
  • Capital Budget / Expenditure Controls
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Fulfilling Mission & Brand
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Quality & Health Improvement
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Governance, Accountability & Nominating
Board & Committee Composition, Performance & Function
Nominating & Recruiting Board Members
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Directors & Officers Liability Insurance

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Compensation
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Executive Compensation

Full Board (Executive Sessions)
Public Policy Updates
Strategic Direction & Public Positioning

* Approved for Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc., effective June 25, 2009
CHARTER FOR EXECUTIVE SESSIONS OF FULL BOARD

The full Board shall regularly meet in executive session to consider various topics, including (1) strategic direction and public positioning, and (2) government relations.

1. **Strategic Direction and Public Positioning.**

   The Board shall have the following responsibilities regarding strategic direction and public positioning:

   a. Review and provide oversight of the strategic direction of the Program and significant strategy issues, and provide advice and counsel to the CEO on these issues.

   b. Review and provide oversight of Kaiser Permanente’s performance.

   c. Review and provide oversight of the Kaiser Permanente brand, including development, communication and protection of the brand.

   d. Review and provide oversight of product development and market management activities.

2. **Government Relations.**

   The Board shall receive periodic reports from senior management on major government relations and other policy issues of interest to Kaiser Permanente.
EXECUTIVE COMMITTEE CHARTER

A. Composition.

The Executive Committee (the “Committee”) shall consist of up to seven (7) Directors, who shall be selected by the Board of Directors (the “Board”), and who shall continue as members of the Committee at the pleasure of the Board. The Committee shall be comprised of one Director who shall serve as Chair, and in addition, only the chairs of the Board’s other standing committees. The Committee shall be comprised solely of Directors who are independent. An independent Director is one who:

1. Has no personal services contract or material relationship with Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals or any of their subsidiaries (a “Kaiser entity”) except for Board service;

2. Is not a partner, executive officer, principal shareholder or director of any entity that (a) has a contract to provide goods or services to a Kaiser entity, and (b) receives more than 1% of its gross revenues from one or more Kaiser entities;

3. Is not currently and has not been for the past three years employed by a Kaiser entity;

4. Has not during the last three years been part of an interlocking directorate in which an executive of a Kaiser entity served on the compensation committee of another company that concurrently employs the director;

5. Has not during the last one year been affiliated with or employed as a corporate officer, partner, or an audit related employee by a present or former auditor of any Kaiser entity;

6. Is not a “family member”, as defined in Section 4958(f)(4) of the Internal Revenue Code, of any person described above.1

7. Is free of any other relationship which would interfere with the exercise of independent judgment.

Notwithstanding the above, the Directors who are independent, after consideration of all of the relevant circumstances, may determine whether a relationship is material or

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1 Section 4958(f)(4) of the Internal Revenue Code defines “family member” as a person’s spouse; brothers or sisters (by whole or half blood); spouses of brothers or sisters (by whole or half blood); ancestors; children (including a legally-adopted child); grandchildren; great grandchildren; and spouses of children, grandchildren, and great grandchildren.
immaterial and whether a Director would therefore be considered independent. The Board of Directors shall document the basis for such a determination.

B. Authority and Duties.

The Committee will assist the Board in fulfilling its oversight responsibility relating to (1) tax exemption, and (2) executive selection, performance appraisal, and succession. In addition, the Committee will have the authority to act for the Board between meetings as provided herein. The Committee may seek the assistance and counsel of outside advisors, at the company’s expense, as the Committee determines is appropriate.

1. Tax Exemption.

The Committee shall have the following responsibilities regarding tax exemption:

a. Provide oversight of legal and regulatory compliance with respect to tax exemption, including review of operational policies and practices.

b. Obtain periodic updates concerning laws, regulations, and government policies regarding tax exemption and tax-exempt status.

c. Review and make recommendations regarding major operational policies, practices and strategies that may create risk or enhance compliance with tax exemption requirements.

2. Executive Selection, Performance Appraisal, and Succession.

The Committee shall have the following responsibilities regarding executive selection, performance appraisal, and succession:

a. Review and recommend for Board approval goals and objectives for the Chief Executive Officer (“CEO”) and evaluate the CEO’s performance in light of such goals and objectives, including evaluation of the CEO’s oversight of pension plans;

b. Review with the CEO the selection, hiring and present performance of officers, executives, and other key personnel; and

c. Review management succession plans and processes for assuring development and timely assignment of individuals qualified to assume the responsibilities of key executive positions.
d. Provide input on the selection and evaluation of senior executives.

3. **Acting for Board Between Meetings.**

The Committee shall have authority to act for the Board between Board meetings. Unless otherwise provided by law, the Board, the Articles of Incorporation, or the Bylaws, any action taken by the Committee shall have the same force and effect as though taken by a majority of Directors present at a meeting of the Board duly called and held pursuant to the Bylaws, except that the Committee shall have no authority to:

   a. Fill vacancies on the Board or the Committee;

   b. Fix the compensation of Directors for serving on the Board or any committee;

   c. Adopt, amend or repeal Bylaws;

   d. Amend or repeal any resolution of the Board which by its express terms cannot be amended or repealed by the Executive Committee;

   e. Appoint committees of the Board or appoint the members thereof; and

   f. Approve any aspect of a transaction involving the company when a Director has a material financial interest in that transaction, except as expressly provided by the law.

C. **Conduct of Business.**

A quorum of the Committee shall consist of a majority of the committee members. The Committee shall report to the Board regarding its recommendations, actions and decisions. The Committee shall annually assess and report to the Board on the performance and effectiveness of the Committee.
AUDIT AND COMPLIANCE COMMITTEE CHARTER

A. Purpose.

The Audit and Compliance Committee (the “Committee”) will assist the Board in fulfilling its oversight responsibility relating to (1) the integrity of the company’s financial statements, (2) the company’s compliance with legal and regulatory requirements, (3) the independent auditor’s qualifications and independence, (4) the performance of the company’s internal audit function and independent auditors, (5) the accounting and financial reporting processes of the company and audits of the financial statements of the company, (6) legal and regulatory compliance systems, and (7) the anti-fraud program. The Committee shall also assist the Board in establishing a corporate culture that encourages a commitment to compliance with law.

B. Composition and Qualifications of Committee Members.

The Committee shall consist of three (3) or more members of the Board, who shall be elected by the Board and who shall continue as members of the Committee at the pleasure of the Board. The Committee shall be comprised solely of independent Directors of the Board. An independent Director for the Committee is one who:

1. Has no personal services contract or material relationship with Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals or any of their subsidiaries (a “Kaiser entity”) except for Board service;

2. Is not a partner, executive officer, principal shareholder or director of any entity that (a) has a contract to provide goods or services to a Kaiser entity, and (b) receives more than 1% of its gross revenues from one or more Kaiser entities;

3. Is not currently and has not been for the past three years employed by a Kaiser entity;

4. Has not during the last three years been part of an interlocking directorate in which an executive of a Kaiser entity served on the compensation committee of another company that concurrently employs the director;

5. Has not during the last one year been affiliated with or employed as a corporate officer, partner or an audit related employee by a present or former auditor of any Kaiser entity;
6. Is not a “family member”, as defined in Section 4958(f)(4) of the Internal Revenue Code, of any person described above.¹

7. Is free of any other relationship which would interfere with the exercise of independent judgment; and

8. Is receiving Director’s fees and related expense reimbursement as the only form of compensation from any Kaiser entity.

Notwithstanding the above, the Directors who are independent, after consideration of all of the relevant circumstances, may determine whether a relationship is material or immaterial and whether a Director would therefore be considered independent. The Board of Directors shall document the basis for such a determination.

In addition, each member of the Committee must have a working familiarity with basic finance and accounting practices, and at least one member of the Committee must be an “audit committee financial expert” as defined under the Securities Exchange Act of 1934, as amended. The Board shall determine the qualification and independence of Directors for service on the Committee.

C. Responsibilities and Duties.

In addition to the purposes set forth above, the primary responsibilities and duties of the Committee shall be as follows:

1. Audit Review.

   Relationship with the Company’s Independent Auditors.

   a. Directly hire, retain, approve compensation and oversee the company’s independent auditors;

   b. Resolve disagreements between management and the independent auditors;

   c. Review and evaluate with management all engagements between the independent auditors and the company, including approval or pre-approval of audit and non-audit services provided by the independent auditors;

¹ Section 4958(f)(4) of the Internal Revenue Code defines “family member” as a person’s spouse; brothers or sisters (by whole or half blood); spouses of brothers or sisters (by whole or half blood); ancestors; children (including a legally-adopted child); grandchildren; great grandchildren; and spouses of children, grandchildren, and great grandchildren.
d. At least annually, obtain and review a report by the independent auditors describing the independent auditors’ internal quality control procedures, material issues raised by the most recent internal quality control review or peer review of such independent auditors or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding one or more independent audits carried out by such independent auditors, steps taken by such independent auditors in response, (to assess the independent auditor’s independence) all relationships between the independent auditors and the company, and all other subjects required to be disclosed by the independent auditors;

e. Meet separately on a periodic basis with the independent auditors;

f. Review with the independent auditors any audit problems or difficulties and management’s response; and

g. Set clear hiring policies for employees or former employees of the independent auditors.

Financial Reporting.

a. Review and discuss the annual audited financial statements and quarterly financial statements prior to their release with management and the independent auditors. This review includes significant adjustments, management adjustments and accounting estimates, significant new accounting policies and disagreements with management. The chair of the Committee may represent the entire Committee for purposes of this review;

b. Review with the independent auditors their reports on the annual and quarterly financial statements and all communications required of the independent auditors; and discuss with the independent auditors and management their judgment as to the quality of the company’s accounting principles, including the application of the company’s accounting principles;

c. Review management certifications required by the Board with respect to the financial statements;

d. Review independent auditor attestations with respect to internal controls and the financial statements;
e. Review with management and the independent auditors any correspondence with regulators regarding the company’s financial statements or accounting policies; and

f. Review and discuss on a general basis the types of information disclosed in, and the types of presentations to be made for, earnings press releases, as well as updated or new material financial information or earnings guidance provided to analysts and ratings agencies.

g. Review with the independent auditors the proper reporting and audit treatment of off-balance sheet financing arrangements, related party transactions, and similar financial transactions.

h. Annually appoint a qualified opining health actuary and receive a report from the actuary.

Audit Plans and Overall Control Environment.

a. Assist the Board’s oversight of the company’s compliance with respect to its financial reporting and disclosure processes. Review (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles, and major issues as to the adequacy of internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles (“GAAP”) methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company;

b. Regularly review the independent auditor’s report submitted to the Committee regarding the company’s critical accounting policies and practices, all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatments preferred by the independent auditor and other material written communications between the independent auditor and management;
c. Review procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and receive quarterly reports regarding such complaints.

d. Review with management, the independent auditors and the Senior Vice President - Internal Audit for the company, the company’s policies and procedures, including risk assessment and risk management, to ensure the adequacy of internal accounting and financial reporting controls and management’s responses with respect to recommendations for internal control improvements;

e. Review significant reports to management prepared by the internal auditors;

f. Review the audit plans and activities of the independent auditors and the internal auditors, and the coordination of their audit efforts;

g. Approve the annual audit plan of the internal auditors, as well as subsequent changes;

h. Meet separately on a periodic basis with management;

i. Meet periodically with management to review the company’s major financial risk exposures and the steps that management has taken to monitor and control such exposures;

j. Review periodically with management significant new financial regulatory policies and rules;

k. Review with management letters from the independent auditors relating to material weaknesses and reportable conditions and any other required communications from the independent auditors;

l. Meet separately on a periodic basis with the Senior Vice President - Internal Audit for the company;

m. Review and approve the performance, appointment or replacement of the Senior Vice President - Internal Audit for the company, and review the performance of the internal audit department;
n. Review the internal audit department’s staffing, budget and responsibilities, including its independence; and

o. Review and approve the internal audit department’s charter.

**Capital Budget/Expenditure Controls.**

a. Review controls for capital and other major expenditures.

**Other.**

a. Regularly report Committee actions to the Board, with such recommendations as the Committee deems appropriate;

b. Engage and determine funding for outside legal, accounting or other advisors, as necessary and appropriate;

c. Review and reassess the adequacy of the Committee charter on an annual basis;

d. Consider such other matters with respect to internal controls and the internal and external audits as the Committee may deem advisable; and

e. Undertake such other responsibilities or tasks as the Board may delegate or assign to the Committee from time to time.

2. **Legal and Regulatory Compliance Systems.**

The Committee is responsible for ensuring that this company has adequate systems in place for maintaining compliance with federal, state and local laws and regulations, including but not limited to health care, health plan, labor and employment, and environmental health and safety laws and regulations. The Committee shall:

a. Periodically review the company’s compliance program, which includes the compliance infrastructure of accountabilities, plans, resources and agency relations, as well as processes to integrate compliance into operations, such as policies, procedures, controls, training, monitoring, and reporting;

b. Receive periodic reports of significant legal and regulatory audit activities and compliance risk assessments;
c. Obtain periodic updates concerning government regulations, policies, and guidelines that provide direction to corporations regarding the management of legal and regulatory compliance;

d. Review any significant enforcement matters and reports issued by regulators;

e. Receive reports on the implementation status of compliance resolutions;

f. Meet separately on a periodic basis with the Chief Compliance Officer and regularly monitor and review performance of the Chief Compliance Officer’s functions;

g. Review significant pending litigation and the professional liability litigation portfolio; and

h. Periodically review policies developed by the Chief Compliance Officer and General Counsel, as appropriate.

3. **Anti-Fraud Program.**

   a. Provide oversight of the company’s anti-fraud program.

D. **Conduct of Business**

   A quorum of the Committee shall consist of a majority of the Committee members. The Committee shall report to the Board regarding its recommendations, actions and decisions. The Committee shall annually assess and report to the Board on the performance and effectiveness of the Committee.

   The General Counsel and the Chief Compliance Officer shall serve as staff to the Committee.
GOVERNANCE, ACCOUNTABILITY AND NOMINATING COMMITTEE CHARTER

A. Composition and Qualifications of Committee Members.

The Governance, Accountability and Nominating Committee (the “Committee”) shall consist of three (3) or more Directors, who shall be elected by the Board of Directors (the “Board”), and who shall continue as members of the Committee at the pleasure of the Board. Except for the Chair of the Committee who shall serve also on the Executive Committee, the members of the Committee shall not serve on the Executive Committee. The Committee shall be comprised solely of Directors who are independent. An independent Director for the Committee is one who:

1. Has no personal services contract or material relationship with Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals or any of their subsidiaries (a “Kaiser entity”) except for Board service;

2. Is not a partner, executive officer, principal shareholder or director of any entity that (a) has a contract to provide goods or services to a Kaiser entity, and (b) receives more than 1% of its gross revenues from one or more Kaiser entities;

3. Is not currently and has not been for the past three years employed by a Kaiser entity;

4. Has not during the last three years been part of an interlocking directorate in which an executive of a Kaiser entity served on the compensation committee of another company that concurrently employs the director;

5. Has not during the last one year been affiliated with or employed as a corporate officer, partner, or an audit related employee by a present or former auditor of any Kaiser entity;

6. Is not a “family member”, as defined in Section 4958(f)(4) of the Internal Revenue Code, of any person described above.¹

7. Is free of any other relationship which would interfere with the exercise of independent judgment; and

¹ Section 4958(f)(4) of the Internal Revenue Code defines “family member” as a person’s spouse; brothers or sisters (by whole or half blood); spouses of brothers or sisters (by whole or half blood); ancestors; children (including a legally-adopted child); grandchildren; great grandchildren; and spouses of children, grandchildren, and great grandchildren.
8. Is receiving director's fees and related expense reimbursement as the only form of compensation from any Kaiser entity.

Notwithstanding the above, the Directors who are independent, after consideration of all of the relevant circumstances, may determine whether a relationship is material or immaterial and whether a Director would therefore be considered independent. The Board of Directors shall document the basis for such a determination.

The Board shall determine the qualification and independence of Directors for service on the Committee.

B. Authority and Duties.

The Committee will assist the Board in fulfilling its oversight responsibility relating to (1) Board and committee composition, performance and function, including nominating and recruiting Board members, (2) conflicts of interest, (3) directors and officers liability insurance arrangements, (4) corporate document review, and (5) performance against specific strategic plans. The Committee shall report its actions and recommendations to the Board regularly.

1. Board and Committee Composition, Performance and Function.

The Committee shall have the following responsibilities regarding Board and committee composition, performance and function:

a. Make recommendations to the Board regarding Board composition, taking into account various state and federal laws and regulations affecting the composition of the Board, and other criteria as developed and periodically modified by the Board;

b. In collaboration with senior management, recruit potential Board members;

c. Make recommendations to the Board regarding criteria for Board membership consistent with an organized assessment and recruitment plan and based on current Board needs that are consistent with the organization’s strategy;

d. Review candidates suggested by management and by other Board members and recommend appropriate candidates for consideration by the Board;
e. Have the sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm’s fees and other terms of engagement and retention;

f. Oversee development, orientation, training and continuing education of Directors, including the approval of conferences for Directors.

g. Make recommendations to the Board in collaboration with the Board chair concerning establishment of Board committees and composition of such committees taking into account various state and federal laws and regulations regarding qualifications to serve on board committees;

h. Conduct an annual evaluation of the Board's performance, including the performance and contribution of each Board member whose term is expiring, the performance of each Board committee, and other issues of corporate governance; and

i. Develop and recommend to the Board corporate governance principles and amendments, and monitor compliance with such principles.

j. Oversee and review the process for providing information to the Board.

2. Conflict of Interest Matters.

The Committee shall have the following responsibilities regarding conflict of interest matters:

a. Approve the form of conflict of interest questionnaires completed annually by Directors, officers and certain employees;

b. Review Directors’ responses and recommend appropriate action to the Board with regard to any conflict of interest disclosed by a Director’s response and consider waivers or other action related thereto;

c. Review management reports and actions taken with regard to responses to conflicts of interest questionnaires from officers and employees;

d. Review and approve material transactions between the company and any Director or senior executive officer for fairness to the company;

e. Advise and make recommendations to the Board with respect to the company’s code of conduct/ethics (“Principles of Responsibility”).
f. Review processes for implementing and/or enforcing the company’s code of conduct/ethics ("Principles of Responsibility"), conflict of interest disclosures, and anonymous reporting mechanism.

3. **Directors and Officers Liability Insurance Arrangements.**

   The Committee shall review directors and officer’s liability insurance arrangements at least annually to assure adequacy and appropriateness of self-insured retentions and credit quality of insurers.

4. **Corporate Matters.**

   The Committee shall have the following responsibilities regarding corporate matters:

   a. Periodically review the company’s Articles of Incorporation and Bylaws and recommend amendments to the Board.

   b. Periodically review Board Committee Charters and recommend amendments to the Board.

   c. Review the proposed formation or dissolution of a Kaiser entity and recommend approval to the Board.

5. **Strategic Plan Performance Updates.**

   The Committee shall have the following responsibilities regarding strategic plan performance:

   a. Oversight of critical priorities as identified in the Kaiser Permanente Partnership Group ("KPPG") Performance Agreement, or any comparable set of strategic agreements and commitments that may be created and entered into from time to time.

   b. Receive reports from senior management on a quarterly basis regarding performance against strategic plans.
COMMUNITY BENEFIT COMMITTEE CHARTER

A. Composition.

The Community Benefit Committee ("Committee") shall consist of a minimum of four (4) Directors, and may, in addition, include up to three non-Directors as full voting members. The chairperson of the Committee shall have an understanding of (1) community and government expectations for nonprofit health care organizations, (2) federal tax exemption requirements, for hospitals and health plans with respect to community benefit, and (3) approaches to community benefit by improving care and access for vulnerable populations, promoting community health, and engaging in research and education.

B. Authority and Duties.

Kaiser Foundation Health Plan, Inc. ("Health Plan"), Kaiser Foundation Hospitals ("Hospitals") and their nonprofit tax-exempt subsidiaries are organized for, and their assets are irrevocably dedicated to, public and charitable purposes. The Committee has been established to assist the Board in fulfilling its oversight responsibility relating to (1) extending and strengthening community service benefit and value provided by Health Plan, Hospitals and the Kaiser Permanente Medical Care Program ("Program"), (2) fulfilling the mission and brand of Health Plan, Hospitals and the Program; (3) fulfilling the requirements and expectations of Health Plan and Hospitals as nonprofit tax-exempt organizations with respect to community benefit; and (4) providing direct community benefit to the larger community, in addition to the Program’s membership, at the national, regional and local level.

The Committee’s oversight responsibilities and duties will include: (1) extending and strengthening the Program’s community benefit programs and services; (2) review of community benefit strategies, policies, and performance to assure that adequate financial, human and technical investments are maintained; (3) monitoring, to ensure the integrity of Health Plan’s and Hospitals’ community benefit reports, statements and internal control systems and community benefit risk assessment and management; (4) review of the design and impact of major community benefit initiatives; (5) oversight of legal and regulatory compliance with respect to community benefit, including review of operational policies and practices, and (6) increasing public recognition of community benefit activities and community value. The Committee shall regularly report its findings and recommendations to the Board.
1. **Extending and Strengthening Community Benefit Programs and Services.**

The Committee shall have the following responsibilities regarding the Program’s community benefit programs and services:

a. Review on an ongoing basis the contributions of the Program to public and community benefit, including both direct community benefit investments, research and education, and the Program’s impact on the community by setting an example for affordable, comprehensive, integrated, and evidence-based care.

b. Review and approve charitable contributions over $100,000 made on behalf of Health Plan, Hospitals and their nonprofit tax-exempt subsidiaries.

c. Promoting progress in community health improvement, including public policy direction, disease prevention activity, reduction of health disparities among population groups and the development and dissemination of evidence based medicine.

d. Make recommendations to the Board regarding community benefit policies and procedures.

e. Review information on general health-related needs in the communities served by the Program, and national trends in health and health care, that help define areas of potential community benefit.

f. Annually, evaluate the Program’s community benefit performance, at the Program level and for each Region.

g. Review, approve and monitor the community benefit created by the Program through improvements in member and community health status.

h. Review annual reports on community benefit activities prior to inclusion in the company’s Form 990 tax return or submission to the various states.

2. **Review Community Benefit Strategies, Policies and Performance.**

The Committee shall have the following responsibilities regarding review of community benefit strategies, policies and performance:
a. Make recommendations to the Board annually regarding regional and Programwide community benefit exposure.

b. Review and recommend Board policies and performance targets with respect to community benefit expenditures.

c. Review community benefit performance to assure that adequate financial, human and technical investments are maintained.

d. Ensure that the Program and each Region has adequate systems in place to track and evaluate community benefit.

3. **Community Benefit Monitoring.**

   The Committee shall have the following responsibilities regarding community benefit review and risk assessment and management:

   a. Periodically assess regional and national compliance with the Board’s community benefit policy and procedures.

   b. Review and discuss the type of information regarding community benefit that is disclosed and presented in financial and non-financial reports, filings and other external communications.

   c. Review significant legislative, regulatory and judicial activity and the Program’s community benefit portfolio configuration, and recommend high-level policy direction that will minimize risks.

4. **Review Major Community Benefit Initiatives.**

   The Committee shall have the following responsibilities regarding major community benefit initiatives:

   a. Review and make recommendations regarding major community benefit initiatives, which represent a significant financial, human or technical commitment or which have significant strategic or operational implications.

   b. Review and make recommendations regarding research and education activities.

   c. Serve as champions of approved community benefit plans and identify internal and external resources to support implementation.
d. Review major program evaluations, as completed, and ongoing regional and Program-level performance metrics, as these are developed and implemented.

5. Legal and Regulatory Compliance Systems.

The Committee shall have the following responsibilities regarding legal and regulatory compliance systems:

a. Obtain periodic updates concerning government regulations, policies, actions and guidelines that provide direction to organizations regarding the management of legal and regulatory compliance associated with community benefit.

b. Review and approve major operational policies, practices, and strategies that may create risk for or enhance compliance.

c. Periodically review community benefit policies and procedures to ensure legal and regulatory compliance.

d. Periodically review reports of significant legal and regulatory activities.


The Committee shall have the following responsibilities regarding increasing public recognition of community benefit activities and community value:

a. Assure that the Program’s brand messages include references to the Program’s community benefit.

b. Review and promote plans for internal and external communications about the Program’s community benefit activities and impact on the community.

c. Learn about, and bring to the attention of the Board, exemplary Kaiser Permanente programs and accomplishments that contribute to public and community benefit.
QUALITY AND HEALTH IMPROVEMENT COMMITTEE (QHIC) CHARTER

A. Composition

The Quality and Health Improvement Committee shall consist of three (3) or more Directors, who shall be selected by the Board of Directors, and who shall continue as members of the committee at the pleasure of the Board.

B. Authority and Duties

The Quality and Health Improvement Committee is created to: (1) provide strategic direction for quality assurance and improvement systems; (2) provide oversight of systems designed to monitor on behalf of the Board of Directors that quality care and services are provided at a comparable level to all members and patients throughout the Program across the continuum of care; and (3) provide oversight of the Program's quality assurance and improvement systems and organizational accreditation and credentialing.

The committee will review and, as appropriate, provide direction in the following areas:

1. Quality Assurance

   a. Overseeing quality systems, including quality goals, objectives, and performance measures;

   b. Identifying and addressing deficiencies in quality;

   c. Reviewing, and as appropriate approving, standards for the global member experience including standards for quality assurance, quality of care, patient safety, service quality, utilization, and risk management; and

   d. Reviewing and addressing the results of internal and external system audits.
2. Quality and Health Improvement
   a. Promoting progress in member health improvement, including health policy direction, disease prevention activity, reduction of health disparities among population groups and the development and dissemination of evidence based medicine;
   b. Approving annual targets for health improvement, including HEDIS and improvement in members’ health that contributes to community well being;
   c. Approving annual targets for service quality including access to services, the care experience and overall member, patient, and purchaser satisfaction;
   d. Monitoring and assessing performance against targets of the care delivery system, including clinical performance and member satisfaction with the care experience; and
   e. Evaluating results of quality improvement activities including recommended actions and follow-up.

3. Organizational Accreditation & Credentialing
   a. Reviewing accreditation and licensing processes and reports, such as those of the National Committee on Quality Assurance, the Centers for Medicare & Medicaid Services, and state agencies; and
   b. Reviewing the integrity of systems relating to the selection, credentialing and competence of physicians and other health care practitioners, including systems for granting or terminating clinical privileges, professional staff or medical staff or clinical staff membership, peer review, proctoring and continuing education.
   c. Approving applications for appointments/reappointments to the medical or provider staff, clinical privileges, and other actions related to medical staff or provider staff membership and ambulatory surgery center clinical privileges that require governing body approval.
d. Approving medical staff or provider staff Bylaws and Rules and Regulations and amendments thereto.

e. Approving ambulatory center Bylaws and amendments thereto.

f. Recommending the appointment of the ambulatory surgery center administrator and approving the appointment of the ambulatory surgery center medical director.

g. Approving ambulatory surgery center policies and procedures, when governing body approval is required.

The committee shall report its decisions, actions and recommendations to the Board of Directors.
FINANCE COMMITTEE CHARTER

A. Purpose.

The Finance Committee (the “Committee”) will assist the Board in fulfilling its responsibility relating to (1) the oversight of strategic objectives and projected financial performance to assure current and future financial integrity; (2) monitoring the company’s financial position; (3) reviewing the company’s financing plans; and (4) reviewing major transactions, investments or expenditures which represent a significant financial commitment or which have significant strategic or operational implications. The Committee shall report regularly its actions and recommendations to the Board.

B. Composition and Qualifications of Committee Members.

The Committee shall consist of three (3) or more members of the Board, who shall be elected by the Board and shall continue as members of the Committee at the pleasure of the Board. The chairperson of the Committee shall have an understanding of capital markets and corporate finance, and members of the Committee shall be familiar with business and financial management.

C. Responsibilities and Duties.

1. Strategic Plans, Budgeting, Performance Tracking and Forecasting.
   
   a. Review at least annually, oversee and make recommendations to the Board regarding the strategic plan and the implementation of such plan.
   
   b. Review and recommend actions to the Board regarding the annual operating and capital budgets, and assure their consistency with strategic objectives.
   
   c. Review at least four times a year financial and operating results against budget targets and strategic plans.
   
   d. Review periodically projections against budget targets and strategic plans in conjunction with review of operating results.
2. **Financings.**
   a. Review and approve all bond financings and other major financing transactions that exceed $25 million.
   b. Review and approve proposed bank credit facilities.

3. **Major Transactions.**
   a. **Capital projects and land purchases.** Review and recommend approval by the Board of all land purchases regardless of cost and capital projects over $25 million (project size for purposes of triggering Board approval is determined by total of all components, such as land, building, equipment and, if any, value of leases). Notwithstanding the above, management is authorized to approve the purchase of land for a purchase price of up to $10 million that is (1) located in California, and (2) adjacent to or within ¼ mile of an existing Kaiser Permanente hospital and/or medical office building campus.
   b. **Property and equipment leases.** Review and recommend approval by the Board of leases with total expenditures over $25 million.
   c. **Medical Service Agreements.** Review and recommend ratification by the Board of Medical Services Agreements and Dental Services Agreements upon recommendation of the appropriate Regional President.
   d. **Hospital closures.** Review and recommend approval by the Board of hospital closures.
   e. **Major acquisitions or dispositions.** Review and recommend approval by the Board of the purchase or sale of subsidiaries or lines of business with a value over $25 million.
   f. **Significant transactions.** Review and recommend approval by the Board of other major transactions (e.g., hospital strategies) which have significant financial risk or significant strategic or operational implications.
   g. **Material changes to approved transactions.** Review and recommend approval by the Board of any material changes to previously approved transactions.
h. **Guarantees and Loans.** Review and recommend approval by the Board of guarantees or long-term extensions of credit that are (1) over $25 million, or (2) restricted as to repayment (e.g., subordinated debt issued as required by a state’s Department of Insurance) by Kaiser Foundation Health Plan, Inc. or Kaiser Foundation Hospitals to or for the benefit of each other or their subsidiaries. Short-term inter-company transactions within the normal course of business may be transacted at the discretion of management, within the limits established by the Board approved Delegation of Authority limits.

4. **Pension Plans.**
   a. Receive reports from the Chief Executive Officer of Kaiser Foundation Health Plan, Inc. or other appropriate officers on the appointment and performance of the Investment and Administrative Committees at least annually and on retirement plan investment performance at least quarterly.

5. **Risk Management and Insurance Arrangements.**

   The Committee shall have the following responsibilities regarding risk management and insurance arrangements:
   b. Review insurance arrangements to assure adequacy and appropriateness of self-insured retentions and credit quality of insurers.

6. **Other Financial Matters.**
   a. Review and approve investment guidelines for investments.
   b. Review and approve delegation of authority approval limits for executives.
   c. Receive periodic management reports regarding company guarantees.
   d. Review and take other necessary actions as may be necessary with regard to matters of a material financial nature.
**COMPENSATION COMMITTEE CHARTER**

A. Composition.

The Compensation Committee (the “Committee”) shall be comprised solely of at least three (3) Directors, who shall be selected by the Board of Directors (“the Board”), and who shall continue as members of the Committee at the pleasure of the Board. The Committee shall be comprised solely of Directors who are independent. An independent Director is one who:

1. Has no personal services contract or material relationship with Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals or any of their subsidiaries (a “Kaiser entity”) except for Board service;

2. Is not a partner, executive officer, principal shareholder or director of any entity that (a) has a contract to provide goods or services to a Kaiser entity, and (b) receives more than 1% of its gross revenues from one or more Kaiser entities;

3. Is not currently and has not been for the past three years employed by a Kaiser entity;

4. Has not during the last three years been part of an interlocking directorate in which an executive of a Kaiser entity served on the compensation committee of another company that concurrently employs the director;

5. Has not during the last one year been affiliated with or employed as a corporate officer, partner, or an audit related employee by a present or former auditor of any Kaiser entity;

6. Is not a “family member,” as defined in Section 4958(f)(4) of the Internal Revenue Code, of any person described above 4; and

7. Is free of any other relationship which would interfere with the exercise of independent judgment.

Notwithstanding the above, the Directors who are independent, after consideration of all of the relevant circumstances, may determine whether a relationship is material or immaterial and whether a Director would

4 Section 4958(f)(4) of the Internal Revenue Code defines “family member” as a person’s spouse; brothers or sisters (by whole or half blood); spouses of brothers or sisters (by whole or half blood); ancestors; children (including a legally-adopted child); grandchildren; great grandchildren; and spouses of children, grandchildren and great grandchildren.
therefore be considered independent. The Board of Directors shall document the basis for such a determination.

B. Authority and Duties.

The Committee will assist the Independent Directors of the Board in discharging its responsibility relating to (1) Board compensation, (2) executive compensation, and (3) compensation of the Chief Executive Officer (“CEO”). The Committee may independently obtain the assistance and counsel of compensation consultants and other outside advisors, at the company’s expense, as the Committee determines is appropriate and shall be solely responsible for selecting, retaining, approving the fees of, and terminating such consultants and advisors.

1. Board Compensation.
   a. Review and make recommendations to the Board regarding the form and amount of compensation of non-employee Directors.
   b. Periodically recommend to the Board a compensation philosophy for non-employee Directors and amendments thereto.

2. Executive Compensation.
   a. Review individual and organizational performance results and approve proposed changes in the annual compensation of executives and other disqualified person employees.
   b. Determine the reasonableness of total compensation payable to all disqualified person executives within the meaning of Section 4958 of the Internal Revenue Code.
   c. Periodically review and approve a compensation philosophy for executives.
   d. Review and approve all compensation and benefit plans for all executives, including disqualified person executives, including incentive and retirement plans, employment contracts, perquisites, severance arrangements, and other executive personnel policies. The Committee shall ensure that the relationship between pay and performance supports the Program’s performance objectives and fulfills the Program’s charitable mission.
   e. Review an annual report on Board and executive compensation prior to inclusion in the company’s Form 990 tax returns.
3. **CEO Compensation.**
   
   a. Recommend to the Independent Directors of the Board the CEO’s compensation and benefits based on the individual performance evaluation performed by the Executive Committee.
   
   b. Determine the reasonableness of total compensation payable to the CEO within the meaning of Section 4958 of the Internal Revenue Code.

4. **Other.**
   
   a. Review and approve the performance, compensation, appointment or replacement of the Vice President – Executive Compensation for the company.
   
   b. Meet periodically with the Senior Vice President – Human Resources and the Vice President – Executive Compensation.
   
   c. In keeping with the Corporate Governance Guidelines, the Committee may meet as appropriate in executive session.
   
   d. Review and assess the adequacy of the Committee Charter on an annual basis.
   
   e. The Committee may delegate authority to approve compensation for non-disqualified person executives in its discretion.

C. **Conduct of Business.**

   A quorum of the Committee shall consist of a majority of the Committee members. The Committee shall report to the Board regarding its recommendations, actions and decisions. The Committee shall annually assess and report to the Board on the performance and effectiveness of the Committee.