

SENATE FLOOR ALERT
AB 1404 (Santiago)
OPPOSE

Kaiser Permanente opposes AB 1404 (Santiago) as amended on August 30, 2019, which would require Kaiser Foundation Health Plan (KFHP) to publish the private compensation information of at least 6,500 of our contracted physicians. Kaiser Permanente was founded after World War II as an integrated health care system – consisting of a health plan, hospitals and medical groups all exclusively working together to provide coverage and care to the members of KFHP.

KFHP has offered a pension benefit to the physicians of the medical groups known as the Common Plan. AB 1404 would require disclosure of compensation information of physicians who participate in the Common Plan and make the documentation of the Common Plan public.

The Common Plan is publicly disclosed and demonstrates KFHP’s fiscal responsibility.

The Common Plan is a \$7.7 billion liability on KFHP’s balance sheet. It is an unfunded promise to pay eligible physicians a benefit upon retirement in exchange for providing medical services to KP’s members and was approved by the Internal Revenue Service many years ago.

This pension plan predates ERISA and details of the Common Plan, including information about physician pensions and the amount of accrued liabilities, are reported to state regulators every quarter in the financial reports of KFHP; they have been for decades. The reports demonstrate KFHP has acted prudently and responsibly. Of note, the physicians’ pensions are at greater risk because they are subject to KFHP creditors, unlike the union and non-union employees whose pensions are set aside in an untouchable trust.

AB 1404 will burden the Kaiser Permanente with additional operational costs, without providing any actual benefit to our members.

The requirement that the “nonprofit sponsor” collect and publicize data and renew it annually is a significant, unnecessary expense to our organization and will increase the cost of health care for our members and purchasers.

AB 1404 requires disclosures much broader than Form 990 or tax qualified plans.

While the bill’s proponents argue that executives of KFHP are already subject to federal compensation disclosure requirements under IRS Form 990 and under the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), AB 1404 covers a significantly broader group of individuals whose compensation must be disclosed. AB 1404 will require disclosure of the compensation of over 6,500 physicians, in contrast with roughly 100 executives under the Form 990.

Publishing the compensation information of one group of physicians will have a negative impact on physician recruitment.

By only requiring Kaiser Permanente to publish physician compensation data, our competitors, both in this state and out, will have an advantage over making it even more difficult to recruit physicians in parts of the state.

PLEASE VOTE NO ON AB 1404