

March 7, 2012

Dr. Paul Phinney, President-elect
California Medical Association
1201 J St., Ste. 200
Sacramento, CA 95814
Via fax: (916) 551-2036

Re: Disclose Your Ties to Kaiser In Future Media Interviews

Dear Dr. Phinney:

Physicians take an oath to do no harm to their patients. The California Medical Association opposes a ballot initiative to lower the cost of health insurance. How does that not harm patients?

California has one of the highest uninsured rates in the nation. Lack of health insurance is the cause of thousands of needless deaths in the state every year – more than the rate of deaths attributable to traffic accidents or homicide. The ballot measure to regulate health insurance rates will save lives by making it easier for consumers to afford health insurance.

In at least two broadcast interviews this month, you represented yourself as a simple doctor, representing other doctors, in opposition to regulation of soaring health insurance rates. You have said: “I’m a doctor, I’m not an interest group. I think this is going to harm my patients.”

But you are not merely a doctor. You represent the well-defined special interests of the insurance industry. You have held executive medical positions at the state’s largest HMO, Kaiser Permanente, where you have been exclusively employed since 1984.

Kaiser, intent on protecting its \$12.6 billion in reserves, and billions in profit, is a chief opponent of proposals to regulate the rates it charges consumers.

Media outlets report that when they seek comment from insurance companies on the initiative, they are referred to “the doctors” instead. It’s a nefarious way for the insurance industry to hide behind the reassuring white coats of the doctors. It also undermines the

CMA's credibility as an organization representing doctors' interests when a Kaiser medical executive is presented as an average doctor.

Kaiser's objection to regulation is clear: The HMO opposes any measure that would prevent it from making consumers pay for its financial waste, bloat and extravagance.

- Kaiser has imposed repeated double-digit rate increases on policyholders over the last several years. These include an 18.4% increase on 660,000 policyholders on Jan. 1, 2012 despite bloated financial reserves of \$12.8 billion, more than 1,100% of the state minimum.
- Since 2009, Kaiser has reported \$5.6 billion in profit and reaps income from \$20 billion in investments. In the first nine months of 2011, according to insurers' financial reports, Kaiser's profit margin exceeded that of the largest for-profit health insurance companies including Blue Cross, Aetna and Cigna.
- Kaiser executive compensation totaled \$25.8 million for its top 10 executives in 2010. Kaiser's 2009 IRS documents disclose that company executives, senior managers and their companions also enjoy first class travel at company expense.

We also understand that Kaiser pays the membership fees for all Kaiser doctors that choose to join the CMA. Such subsidization must be a significant source of income for CMA.

Kaiser's strident opposition to rate regulation gives you a clear conflict of interest. You must fully disclose your close ties to Kaiser, and the fees Kaiser pays to CMA, in any future interview about issues that would directly affect the HMO. Anything less than full disclosure will make it appear that you and the CMA are intentionally deceiving the public.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Balber". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Carmen Balber

cc: Dr. James T. Hay, President