



FIONA MA, CPA
TREASURER
STATE OF CALIFORNIA

December 16, 2024

Greg Adams, Chair and Chief Executive Officer
Kaiser Permanente
One Kaiser Plaza, 22nd Floor
Oakland, CA 94612

Dear Mr. Adams:

As you know, California is experiencing a mental health crisis that affects increasing numbers of our state's residents, including public employees, retirees, and their families. Hundreds of thousands of state, county, and local government employees, retirees, and their families rely on Kaiser Foundation Health Plan, our state's largest insurance company, for their coverage and care.

As a state Constitutional Officer, I am deeply concerned about Kaiser's commitment to meeting our state's behavioral health needs. During the past decade, Kaiser has been repeatedly cited for violating our state's behavioral health laws.¹

Last year, Kaiser agreed to pay the largest behavioral health fine in our state's history as part of a \$200 million settlement stemming from serious and systemic violations that have been ongoing since 2006.² Among those violations, Kaiser was found to have an insufficient number of mental health therapists in its provider network, failed to provide timely access to care for mental health appointments, violated the Mental Health Parity Act, and failed to fulfill its basic quality assurance responsibilities. During the investigatory process, it also made false statements to investigators regarding its compliance with state laws.³

¹ In 2013, the California Department of Managed Health Care (DMHC) cited and fined Kaiser \$4 million in 2013, as well as ordered Kaiser to cease and desist from committing more behavioral health violations. In 2015, a DMHC follow-up survey determined that Kaiser had failed to correct half of the violations for which it was cited in 2013. In 2017, DMHC once again cited Kaiser for behavioral health violations and placed it under a three-year outside monitoring program. In 2023, Kaiser paid a \$50 million fine as part of a \$200 million settlement due to Kaiser's fresh violations of both the Knox-Keene Act and the Mental Health Parity and Addiction Equity Act (MHPAEA).

² DMHC and Kaiser Foundation Health Plan. Settlement Agreement. October 11, 2023.

³ Ibid, Paragraph 37.

Additionally, Kaiser canceled 111,803 patient appointments during a 2022 strike by behavioral health therapists in Northern California after assuring regulators and the public that it had made adequate preparations to ensure consumers' access to timely and appropriate care.⁴

To date, Kaiser has failed to prepare, let alone implement, a corrective action plan to remedy the many violations for which it was cited more than a year ago. The corrective action process is expected to take at least two years once a plan is completed.

For the past two months, thousands of mental health therapists across Southern California have been on strike with no resolution in sight. Consumers and caregivers have reported multiple serious violations, and on November 7, 2024, DMHC initiated a new enforcement investigation into Kaiser's behavioral health services in Southern California.

While I've watched these developments with great concern, I've also carefully observed your leadership team's decision to invest billions of dollars in acquiring out-of-state health systems rather than correcting the well-documented and recurring problems affecting Kaiser's behavioral health services in California. To date, Kaiser has committed to spending more than \$9 billion to acquire two health systems in Pennsylvania and North Carolina.⁵ It appears that most of these funds were generated by California's consumers and group purchasers—including our local, county, and state governments—who account for the supermajority of Kaiser's enrollees. In 2025, Kaiser will boost the monthly premiums it charges to CalPERS members by 8.4%.⁶

As a Constitutional Officer with the fiduciary responsibility to manage our state's assets and ensure accountability for the use of our state government's financial resources, and specifically in my roles as a member of the CalPERS and CalSTRS Boards, we intend to take firm action with staff and Board leaders to ensure that you address the concerns I have outlined above, including by initiating efforts to make whole CalPERS and its Kaiser enrollees for behavioral health services they paid for but did not receive. We ask to meet with you at your earliest opportunity to discuss your plans to address this important matter.

In Peace & Friendship,



FIONA MA, CPA
California State Treasurer

cc: Don Moulds, Ph.D, Chief Health Director, CalPERS
Marcie Frost, Chief Executive Officer, CalPERS
Ramon Rubalcava, Chair, CalPERS Pension & Health Benefits Committee
Cassandra Lichnock, Chief Executive Officer, CalSTRS

⁴ Ibid, Paragraph 66.

⁵ Kaiser Foundation Health Plan and Hospitals, Financial Statement for the Quarter ended March 31, 2023, p. 18; Kaiser Foundation Health Plan and Hospitals, Financial Statement for the Quarter ended September 30, 2024, p. 20.

⁶ CalPERS. CalPERS Announces Health Plan Premiums for 2025. July 16, 2024.