

August 4, 2006

Kim J. Kaiser
Member of the Board of Directors
Kaiser Foundation Health Plan, Inc.
Department of the Controller
One Kaiser Plaza, Suite 15L
Oakland, California 94612-3600

Dear Mr. Kaiser:

Enclosed please find a copy of my letter, dated today, to Daniel P. Garcia, our chief compliance officer. In that letter, I address several serious concerns relating to the business and financial leadership of George Halvorson and J. Clifford Dodd, our chief executive and chief information officers, respectively. I am also addressing this letter, along with the attached letter to Mr. Garcia and the supporting documentation, to each of your fellow independent members of the Board of Directors.

I have written Mr. Garcia as I strongly believe the concerns outlined in my letter to him are issues of compliance, ethics, and integrity, as described in our Principles of Responsibility, and as such, fall under the purview of his office. However, the broader implications of these concerns necessitate direct involvement by you and our other independent Directors. Our articles of incorporation assert that "all corporate powers shall be exercised by or under the authority of the Board of Directors, and the Board shall control the business and affairs of the corporation." Your involvement is not only authorized, it is imperative.

There are many courses of action which can restore our financial health and our leadership in healthcare information technology. I beg you to take immediate steps to evaluate these concerns and begin the necessary and critical repairs.

Sincerely,

Justen Deal