

September 26, 2006

Deborah Broyles
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101 Second Street, Suite 1800
San Francisco, California 94105-3659

via facsimile to 415 369-8621

Dear Ms. Broyles:

Thank you for your acknowledgment of receipt of my September 25 letter to Daniel Garcia and the independent members of the Board of Directors for Health Plan and Hospitals. I appreciate your indication that a thorough evaluation of these issues will occur.

With regard to your response relating to our selection of Epic Systems:

- My personal agreement or disagreement with our vendor selection is not relevant. At least two draft internal engineering reports discounted consideration of Epic on strong technical grounds. The completion of those reports was preempted by George Halvorson's decision to contract with Epic. I have shared the final drafts of those reports with Mr. Garcia and the Board.
- Further, we are now experiencing the very problems those internal reports anticipated. Serving just 8,836 average concurrent users so far this month, our Epic deployment met usage-based user availability targets in only three of our eight regions. So far this year, we have seen more than 354 separate outages of our Epic systems. Both are unacceptable levels of availability in our environment, and, since July, Epic reliability has been worsening monthly.
- As I am not familiar with and was not involved in the "decision-making process used" to "select Epic" by the healthcare organizations you listed, I cannot comment on their respective processes.
- Nevertheless, none of the healthcare organizations you listed can reasonably be compared in size, scale, or scope to Kaiser Permanente:
 - The three largest facilities-based organizations, Continuum, Fairview, and Texas Health have 3,100; 2,500; and 2,400 beds, respectively. That compares to over 7,000 in Kaiser Permanente's four facilities-based regions.
 - The three largest medical group-type organizations, Group Health Cooperative (an affiliate of Kaiser Permanente), Geisinger, and Harvard Vanguard, have 853, 640, and 500 physicians, respectively. That compares to nearly 13,000 Permanente physicians across our regions.

- Two other healthcare organizations in your list, HealthPartners, with 640,000 members, and Oregon Community Health Information Network, with 2,500 employees represent only a fraction of our 8.56 million members and 152,814 employees.

I hope that this provides you with a better understanding of Mr. Halvorson's selection of Epic Systems and the serious questions surrounding his decision. I also hope this information demonstrates to you, and our Board, the need for a truly independent and competent investigation of these issues.

Sincerely,

Justen Deal