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State Senate health chairman doing business with Kaiser



By Patrick McGreevy, Los Angeles Times

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Reporting from Sacramento-- A Southern California lawmaker who helped defeat legislation opposed by Kaiser is benefiting from a business relationship with the nonprofit health group.

The proposal, which died in the Legislature earlier this month after a dispute over its provisions, would have required state approval for health insurers including Kaiser to raise their rates.

State Sen. Ed Hernandez (D-West Covina), chairman of the Senate Health Committee, owns a corporation that leases an office building to Kaiser Permanente in Baldwin Park. Since 2006, Kaiser has paid Hernandez's firm about \$387,000 to lease the building. The current rent is \$5,752 a month.

Most elected officials in California are disqualified from actions that could affect a source of their income, but state legislators exempted themselves from that restriction in 2002. Such dual interests amount to "what a common-sense person would consider to be wrong," said Kathay Feng, executive director of California Common Cause.

Hernandez, an optometrist, said he had done nothing improper.

"I place my votes on what's in the best interest of the community," he said in an interview. "I don't base it on my income."

Because his role as Health Committee chairman gives Hernandez considerable power over many bills that affect the health industry, a consumer advocacy group has asked Senate leader Darrell Steinberg (D-Sacramento) to remove him.

"This level of income from a company that is constantly before his committee, and whose interests touch

upon every level of the committee's work ... compromises Senator Hernandez's ability to independently chair the committee," wrote Jamie Court, president of the nonprofit group Consumer Watchdog.

Kaiser's payments were disclosed in Hernandez's annual financial interest report on file with the state. But there was no mention of the business relationship when a Kaiser representative appeared at a June committee hearing presided over by Hernandez.

Kaiser Foundation Health Plan lobbyist Teresa Stark told Hernandez's committee that the nonprofit opposed the rate-hike restriction because it might lead to rate caps that could "impede access to healthcare."

It would divert "tens of millions of dollars" from the healthcare system to pay for a new bureaucracy, Stark said.

Hernandez voted for the bill when it passed his committee. But he said he would oppose it on the Senate floor unless it was changed so a panel of actuaries, rather than California's elected insurance commissioner and the director of the state's Managed Health Care Department, would rule on any rate increases.

The bill's author, Assemblyman Mike Feuer (D-Los Angeles), said such revisions would have left consumers unprotected from excessive rate hikes and, without enough votes to support his version, he shelved the legislation, AB 52.

"The issues far transcend whether something is actuarially sound," Feuer said.

Hernandez said he proposed the change because "I wanted to depoliticize" the rate-setting process and make it more transparent.

Kaiser spokeswoman Kathleen Golden said Hernandez "hasn't shown any preference" toward the health group on the legislation. Hernandez said he is willing to work with Feuer on the issue next year.

Noting that Kaiser opposed two of his own bills this year, Hernandez said his business holdings, which include other commercial properties, should not prevent him from serving as committee chairman.

"When I got elected, I had already owned all those properties," Hernandez said. "Who would have known I was going to have been chair of health?"

Steinberg is standing by the senator.

"Darrell believes that Sen. Hernandez is a good chair, is honest, has integrity and is effective," said Steinberg spokesman Nathan Barankin.

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